SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL
SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL
SUMMIT COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Summit Academy Akron Elementary School
Summit County
88 Kent Street
Akron, Ohio 44305

To the Board of Directors:

We have audited the accompanying financial statements of the Summit Academy Akron Elementary School, Summit County, Ohio, (the School) as of and for the years ended June 30, 2008 and 2007, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Auditor of State has billed the School approximately $1,699 for audit services provided for fiscal year 2007 and as of the date of this report, $642 remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due or seeking payment through the office of budget and management. We did not audit the amounts of actual direct and indirect expenses incurred by Summit Academy Management on behalf of the School which total $1,548,765 and $1,283,149, as indicated in Note 16. Other auditors audited these amounts and have furnished their report thereon to us, and our opinion, insofar as it relates to the amounts included for Note 16, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Summit Academy Akron Elementary School, Summit County, Ohio, as of June 30, 2008 and 2007 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2008. We previously issued our report dated March 24, 2008, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants for the year ended June 30, 2007. While we did not opine on the internal control over financial reporting or on compliance, these reports describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read them in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 24, 2009

SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL
SUMMIT COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of Summit Academy Akron Elementary School (the School), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights

By agreement with its management company, Summit Academy Management, 100% of all revenue is passed through to the management company in order to manage the affairs of the School. In this regard, a cash management system was fully implemented during fiscal year 2006, in which all School cash is 'swept' into the bank account of the management company. As a result, the School has no cash on June 30, 2008 or 2007.

The School has intergovernmental receivables of $29,582 for federal and state grants earned in 2008, but not received until after June 30, 2008. At the same time, the financial statements show a management fee payable to the management company of the same amount, reflecting the 100% pass-through of revenue to the management company.

The School has net assets of $282,551, which is the difference between its assets and liabilities. Net assets decreased by $456,021 during the year as a result of a net loss for the year.

Overview of the Financial Statements

The financial statements presented by the School are the Balance Sheet, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The *Balance Sheet* presents information on all the School's assets and liabilities, with the difference being the net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating. However, given the School's management agreement with the management company, which calls for 100% of all receipts to be paid to the management company, the School's net assets balance is not expected to change significantly in the near future.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the School's net assets changed during the year. This statement summarizes operating revenues and expenses, along with non-operating revenues and expenses.

The *Statement of Cash Flows* allows financial statement users to assess the School's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories (as applicable): 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Finally, it should be noted that the School utilizes the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies in that it recognizes revenues and expenses when earned regardless of when cash is received or paid.

Financial Analysis

The following tables indicate our financial analysis of the School:

Table 1 - Balance Sheets

	6/30/2008	6/30/2007	Amount of Change	Percent of Change	6/30/2006
Assets					
Current assets	$ 29,582	$ 18,030	$ 11,552	64.1%	$ 33,914
Non-current assets	803,482	738,572	64,910	8.8%	764,333
Total assets	$ 833,064	$ 756,602	$ 76,462	10.1%	$ 798,247
Liabilities					
Current liabilities	$ 550,513	$ 18,030	$ 532,483	2953.3%	$ 93,289
Net Assets					
Invested in capital assets, net of related debt	203,482	738,572	(535,090)	-72.4%	704,940
Unrestricted	79,069	-	79,069	100.0%	18
	282,551	738,572	(456,021)	-61.7%	704,958
Liabilities and net assets	$ 833,064	$ 756,602	$ 76,462	10.1%	$ 798,247

Table 2 - Statements of Revenues, Expenses, and Changes in Net Assets

	6/30/2008	6/30/2007	Amount of Change	Percent of Change	6/30/2006
Operating revenues	$ 1,475,262	$ 966,298	$ 508,964	52.7%	$ 792,498
Operating expenses	1,725,529	1,132,459	593,070	52.4%	772,224
Operating income (loss)	(250,267)	(166,161)	(84,106)	50.6%	20,274
Non-operating revenues - net	(205,754)	199,775	(405,529)	-203.0%	68,452
Net income (loss)	$ (456,021)	$ 33,614	$ (489,635)	-1456.6%	$ 88,726

Current assets increased by $11,552 or 64.1% due to an increase in intergovernmental receivables because more federal and state grants were owed to the School at June 30, 2008.

The School has significant capital assets in the form of land, building and improvements, and furniture, fixtures and equipment which total $724,413, net of depreciation. These decreased $14,159 or 1.9% due to depreciation. See Note 5 to the financial statements for more detailed information on capital assets.

The School had a mortgage note on its building of $59,393 at June 30, 2006, which is included above in current liabilities. The note was paid in full during February 2007. See Note 12 to the financial statements for more detailed information on the mortgage note payable.

The School has a payable to SAM of $520,931 at June 30, 2008 which is the difference between the appraised value and selling price of the building sold to SAM after year-end.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

With respect to the Statement of Revenues, Expenses, and Changes in Net Assets, operating revenues increased by $508,964 or 52.7%, due to an increase in state foundation revenue caused by an increase in enrollment. Operating expenses increased by $593,070 or 52.4%, due to the overall increase in revenues. Net non-operating revenues decreased by $405,529 or 203.0%, as a result of selling the School's building to SAM at a loss after year-end.

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SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL
SUMMIT COUNTY

BALANCE SHEETS
AS OF JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Current assets		
Cash	$ -	$ -
Intergovernmental receivables	29,582	18,030
Total current assets	29,582	18,030
Noncurrent assets		
Capital assets, net of accumulated depreciation	724,413	738,572
Long-term note receivable	79,069	-
Total noncurrent assets	803,482	738,572
Total assets	$ 833,064	$ 756,602
LIABILITIES AND NET ASSETS		
Current liabilities		
Management fee payable	$ 29,582	$ 18,030
SAM payable for building	520,931	-
Total current liabilities	550,513	18,030
Net assets		
Invested in capital assets, net of related debt	203,482	738,572
Unrestricted	79,069	-
Total net assets	282,551	738,572
Total liabilities and net assets	$ 833,064	$ 756,602

The accompanying notes to the financial statements are an integral part of this statement.

SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL
SUMMIT COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Operating revenues		
Food service	$ 265	$ 105
State foundation	1,472,349	916,332
Materials and fees	2,648	49,706
Other operating revenues	-	155
Total operating revenues	1,475,262	966,298
Operating expenses		
Purchased services	1,711,370	1,106,525
Depreciation expense	14,159	25,761
Other operating expenses	-	173
Total operating expenses	1,725,529	1,132,459
Operating loss	(250,267)	(166,161)
Non-operating revenues (expenses)		
SAM forgiveness of debt	(520,931)	-
State and Federal grants	236,108	205,060
Interest expense	-	(5,285)
Proceeds from sale of asset	79,069	-
Net non-operating revenue	(205,754)	199,775
Net income (loss)	(456,021)	33,614
Net assets at beginning of year	738,572	704,958
Net assets at end of year	$ 282,551	$ 738,572

The accompanying notes to the financial statements are an integral part of this statement.

SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL
SUMMIT COUNTY

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Increase (decrease) in cash		
Cash flows from operating activities		
Cash from the State of Ohio	$ 1,472,349	$ 907,875
Cash from other operating sources	2,913	49,966
Cash payments to management company	(1,699,818)	(1,105,632)
Net cash provided by (used for) operating activities	(224,556)	(147,791)
Cash flows from noncapital financing activities		
State and Federal grants	224,556	212,469
Cash flows from capital and related financing activities		
Payments on notes payable	-	(59,393)
Cash flows from investing activities		
Interest expense	-	(5,285)
Net decrease in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	$ -	$ -
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	(250,267)	$ (166,161)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	14,159	25,761
Change in assets and liabilities:		
(Increase) decrease in assets:		
Management fee receivable	-	8,457
Other assets	-	18
Increase (decrease) in liabilities:		
Deferred revenue	-	(8,457)
Management fee payable	11,552	(7,409)
Total adjustments	25,711	18,370
Net cash used for operating activities	$ (224,556)	$ (147,791)

The accompanying notes to the financial statements are an integral part of this statement.

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NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Summit Academy Akron Elementary School, located in Summit County (the School), is a state nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School provides educational, literary, scientific, and related teaching services for “at-risk” children with the symptoms of Attention Deficit Hyperactivity Disorder (ADHD) and Asperger’s Syndrome. The School, which is part of the State's education program, is independent of any public school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

As further described in Note 6 to the financial statements, the School has contracted with Summit Academy Management, Inc. (SAM) to employ and facilitate the day-to-day management of the School. SAM is a legally separate nonprofit corporation, the results of which are not reflected in these financial statements.

Effective July 1, 2006, the governing boards of SAM and the School have completely different members, and all members of the School Board are independent of SAM. In addition, effective the same date, the board members of SAM are elected by the majority vote of the affiliated schools boards.

SAM also provides management services to the following 26 legally separate community schools whose results of operations are not included herein:

- Summit Academy Akron Middle School
- Summit Academy Secondary School – Akron
- Summit Academy Community School for Alternative Learners – Canton
- Summit Academy Secondary School – Canton
- Summit Academy Community School – Cincinnati
- Summit Academy Transition High School – Cincinnati
- Summit Academy Community School – Columbus
- Summit Academy Middle School – Columbus
- Summit Academy Transition High School – Columbus
- Summit Academy Community School – Dayton
- Summit Academy Transition High School - Dayton
- Summit Academy Community School for Alternative Learners – Lorain
- Summit Academy Middle School – Lorain
- Summit Academy Secondary School – Lorain
- Summit Academy Community School for Alternative Learners – Middletown
- Summit Academy Secondary School – Middletown
- Summit Academy Community School - Painesville
- Summit Academy Community School – Parma
- Summit Academy Community School – Toledo
- Summit Academy Secondary School – Toledo
- Summit Academy Community School – Warren
- Summit Academy Middle School - Warren
- Summit Academy Community School for Alternative Learners – Xenia
- Summit Academy Community School for Alternative Learners – Youngstown
- Summit Academy Middle School – Youngstown
- Summit Academy Secondary School – Youngstown

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY (continued)

The School has been approved for operation under a contract with the Lucas County Educational Service Center (Sponsor). The contract was extended for a term ending on May 14, 2012 and then renews for additional one-year terms from July 1 to June 30, unless the Sponsor has given written notice of termination at least 90 days prior to the expiration date.

The School operates under a self-appointing Board of Directors (the Board). The School's Code of Regulations specifies that Board vacancies are filled by the appointment of a successor director by a majority vote of the then-existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor. These include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB statements or interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is the difference between the assets and the liabilities. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are generally not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor, Lucas County Educational Service Center, requires a detailed budget in the form of a five-year forecast, as described in Ohio Revised Code Section 5705.391.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash

The School's revenues are received into a demand deposit account, and then are swept into an account of the management company in accordance with the management agreement discussed in Note 6.

E. Capital Assets and Depreciation

Prior to July 1, 2001, capital assets were capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets were recorded at their fair market value as of the date received. After June 30, 2001, all capital assets are paid for and capitalized by the management company (see Note 6).

Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of 5-10 years. Buildings are depreciated over an estimated useful life of 40 years.

F. Intergovernmental Revenues

The School participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

The School also participates in various federal and state grant programs through the Ohio Department of Education. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

G. Accrued Liabilities

Accrued liabilities include amounts payable to SAM for various intergovernmental (grant) receivables, in accordance with the School's management contract as further described in Note 6 and amount payable to SAM for the sale of a building as further described in Note 15.

H. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – DEPOSITS

At June 30, 2008 and 2007, the carrying amount of the School's deposits was $0, and the bank balance was $0.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2008 and 2007 consisted of intergovernmental (e.g. federal grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of these programs, and the current year guarantee of federal funds.

NOTE 5 – CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2008 and 2007 is as follows:

	2008	2007
Land	$ 45,000	$ 45,000
Building and improvements	821,448	821,448
Furniture, fixtures and equipment	175,834	175,834
	1,042,282	1,042,282
Less accumulated depreciation	(317,869)	(303,710)
Total Capital Assets, Net of Depreciation	$ 724,413	$ 738,572

NOTE 6 – AGREEMENT WITH SUMMIT ACADEMY MANAGEMENT

The School has contracted with Summit Academy Management (SAM) to facilitate the day-to-day operations of the School. Per the agreement, the School pays SAM, as a management fee, 100 percent of revenues received. In turn, SAM is responsible for all costs and decisions associated with operating the School. Such costs and decision areas include, but are not limited to: personnel (all teaching and administrative personnel are employees of SAM); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, and legal and financial management services. SAM also provides certain facilities and is responsible for maintenance of those facilities. See Note 16 for the amount of actual direct and indirect expenses incurred by SAM on behalf of the School.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

The School has contracted with SAM to provide all teaching and administrative personnel. Such personnel are employees of SAM; however, the School is responsible for monitoring and ensuring that SAM makes pension contributions on its behalf. The retirement systems consider the School as the "Employer of Record", therefore the School is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. School Employees Retirement System

On behalf of the School, SAM contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were $36,265, $40,044, and $26,650, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

B. State Teachers Retirement System

On behalf of the School, SAM also contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DC portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were $51,909, $42,534, and $47,538, respectively; 64.1 percent has been contributed for fiscal year 2008 and 100 percent for 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $1,176 made by the School and $1,120 made by the plan members.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

On behalf of the School, SAM participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $5,654.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.
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The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $16,549, $12,448, and $8,614 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $2,613, $2,550, and $1,965 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

B. State Teachers Retirement System

The School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $3,993, $3,272, and $3,657 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

NOTE 9 - OTHER BENEFITS

SAM has contracted with a private carrier to provide School employees with medical/surgical benefits. SAM pays most of the monthly premium for full-time employees and for part-time employees depending on the employee's status. The employees are responsible for the remaining amounts. SAM's and the employees' monthly premiums vary depending upon family size and the level of coverage the employee selected.

SAM also allows employees to participate in 403(b) deferred annuities through four vendors.

NOTE 10 – TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2008 and 2007, the School had a management fee payable to SAM of $29,582 and $18,030, respectively. These payables consist of intergovernmental (grants) receivables to be transferred to SAM to cover expenses incurred by SAM on the School's behalf. During fiscal years 2008 and 2007, the School paid management fees to SAM totaling $1,699,818 and $1,105,632, respectively.

NOTE 11 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAM has contracted with a commercial insurance company for property and general liability insurance on behalf of the School. Property coverage carries a $5,000 deductible, with the School's building insured for $1,300,000 and its contents for $60,000. General liability coverage provides $1,000,000 per occurrence and $3,000,000 in the aggregate with a $2,500 deductible.

Settled claims have not exceeded insurance coverage in any of the past three years, and there was no significant reduction in coverage amounts from the prior year policy.

NOTE 12– MORTGAGE NOTE PAYABLE

On May 4, 1999, the School entered into a $400,000 real estate mortgage with a local bank for the purchase of a school building. This mortgage was subsequently refinanced during November 2004, with the remaining loan balance of $173,263 requiring monthly payments of $8,056, including interest at 6.73 percent, through February 2007. This loan was paid in full during fiscal year 2007.

NOTE 13 - CONTINGENCIES

Grants – The School receives financial assistance from federal and state agencies in the form of grants, which are then remitted to SAM. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

NOTE 14 – TAX EXEMPT STATUS

The School has been granted status as a tax exempt, non-profit organization under Internal Revenue Code Section 501(c)(3), effective March 1, 1999.

NOTE 15 – SUBSEQUENT EVENTS

ODE Review – After the end of the year, the Ohio Department of Education (ODE) conducts reviews of enrollment data submitted by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review for fiscal year 2008 resulted in no significant adjustment to the School's state foundation revenue.

Sale of Property - On July 30, 2008, the land and building owned by the Summit Academy Akron Elementary School (known as the Hardy Building) were sold to SAM, by action of the School's board of directors as well as the board of SAM. The agreed upon selling price was the appraised value of $600,000, with $520,931 being credit given to SAM for forgone management fees as well as capital improvements paid for by SAM during the course of SAM's tenure as the management company for the school. The remaining portion of the selling price ($79,069) is to be paid in the form of a note payable which is due on June 30, 2018. The interest rate on the note is 5%, and is payable semi-annually on January 1 and July 1. Such interest is not to be included in the revenue passed through to SAM as described in Note 6.

NOTE 16 – MANAGEMENT COMPANY EXPENSES

As per the agreement with SAM (see Note 6), 100 percent of the School's revenue is paid to SAM as a management fee. The related 'purchased services' expense totaled $1,711,370 and $1,106,525 for the years ended June 30, 2008 and 2007, respectively.

Summit Academy Management incurred the following actual direct and indirect expenses on behalf of the School during fiscal years 2008 and 2007:

	2008	2007
Utilities Services	$ 82,661	$ 58,847
Property Services	55,372	42,817
General Supplies	56,557	111,916
Professional and Technical Services	91,395	42,379
Retirement and Insurance Services	146,818	112,372
Salaries and Wages	645,489	528,670
Food and Related Supplies	27,898	33,312
Capital Outlay	47,695	34,235
Other Direct Costs	21,090	25,750
Total Direct Costs	1,174,975	990,298
Total Indirect Costs (Overhead)	373,790	292,851
Total Expenses	$ 1,548,765	$ 1,283,149

Summit Academy Management charges expenses benefiting more than one school (i.e. indirect overhead expenses) pro rata based on the number of students within each school it manages.

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Summit Academy Akron Elementary School
Summit County
88 Kent Street
Akron, Ohio 44305

To the Board of Directors:

We have audited the financial statements of the Summit Academy Akron Elementary School, Summit County, Ohio, (the School) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 24, 2009, wherein we noted Note 16 was audited by other auditors, and the School has been billed a total of $1,699 for fiscal year 2007 and has unpaid audit fees of $642 as of the date of this report. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due or seeking payment through the office of budget and management. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the School's management in a separate letter dated February 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School's management in a separate letter dated February 24, 2009.

We intend this report solely for the information and use of management, the Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 24, 2009

SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009

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