



Dave Yost • Auditor of State



**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

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# Dave Yost • 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 basic financial statements of the Summit Academy Akron Elementary School, Summit County, Ohio, (the School), as of and for the years ended June 30, 2010 and 2009, 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. We did not audit the actual direct and indirect expenses incurred by Summit Academy Management on behalf of the School, which total \$2,010,764 and \$1,760,275 for 2010 and 2009, respectively, as indicated in Note 16. Other auditors audited those amounts. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Note 16, 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. The other auditors audited Note 16 in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. 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 that our audit and the report of the other auditors provide a reasonable basis for our opinions.

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, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2011, 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, 2010. We previously issued our report dated February 26, 2010, 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, 2009. 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



**Dave Yost**  
Auditor of State

February 4, 2011

**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, 2010. 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 (except as follows) is passed through to the management company in order to manage the affairs of the School. In this regard, a cash management system is utilized in which all School cash was 'swept' into the bank account of the management company, except for the interest earned on the School's note receivable from the management company. Such interest totaled \$7,909 at June 30, 2010, and is kept in a separate, non-sweep account for the future benefit of the School.

The School has intergovernmental receivables of \$156,966 for Medicaid and federal and state grants earned in 2010, but not received until after June 30, 2010. 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 \$86,978, which is the difference between its assets and liabilities. Net assets decreased by \$14,436 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.

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Financial Analysis**

The following tables indicate our financial analysis of the School:

**Table 1 - Balance Sheets**

	6/30/2010	6/30/2009	Amount of Change	Percent of Change	6/30/2008
<b>Assets</b>					
Current assets	\$ 164,875	\$ 55,448	\$ 109,427	197.4%	\$ 29,582
Non-current assets	79,069	97,461	(18,392)	-18.9%	803,482
Total assets	<u>\$ 243,944</u>	<u>\$ 152,909</u>	<u>\$ 91,035</u>	59.5%	<u>\$ 833,064</u>
<b>Liabilities</b>					
Current liabilities	\$ 156,966	\$ 51,495	\$ 105,471	204.8%	\$ 550,513
<b>Net Assets</b>					
Invested in capital assets, net of related debt	-	18,392	(18,392)	-100.0%	203,482
Unrestricted	86,978	83,022	3,956	4.8%	79,069
	<u>86,978</u>	<u>101,414</u>	<u>(14,436)</u>	-14.2%	<u>282,551</u>
Liabilities and net assets	<u>\$ 243,944</u>	<u>\$ 152,909</u>	<u>\$ 91,035</u>	59.5%	<u>\$ 833,064</u>

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

	6/30/2010	6/30/2009	Amount of Change	Percent of Change	6/30/2008
Operating revenues	\$ 1,856,284	\$ 1,795,844	\$ 60,440	3.4%	\$ 1,475,262
Operating expenses	2,308,754	2,025,976	282,778	14.0%	1,725,529
Operating loss	(452,470)	(230,132)	(222,338)	-96.6%	(250,267)
Non-operating revenues - net	438,034	48,995	389,039	794.0%	(205,754)
Net loss	<u>\$ (14,436)</u>	<u>\$ (181,137)</u>	<u>\$ 166,701</u>	92.0%	<u>\$ (456,021)</u>

Current assets increased by \$109,427 or 197.4% due to an increase in cash and intergovernmental receivables because more interest, Medicaid, and federal and state grants were paid or owed to the School at June 30, 2010.

The School had non-current assets consisting of capital assets and a long-term note receivable of \$79,069 at June 30, 2010. These decreased by \$18,392 or 18.9% due to the disposal of capital assets. See Notes 5 and 15 to the financial statements for more detailed information on capital assets and the notes receivable.

Current liabilities increased by \$105,471 or 204.8% due to an increase in management fee payables.

Net assets decreased by \$14,436 or 61.7% as a result of a net loss on the disposal of the capital assets.

With respect to the Statement of Revenues, Expenses, and Changes in Net Assets, operating revenues increased by \$60,440 or 3.4%, due to an increase in state foundation revenue caused by an increase in enrollment. Operating expenses increased by \$282,778 or 14.0%, due to the overall increase in revenues. Net non-operating revenues increased by \$389,039 or 794.0%, as a result of an increase in state and federal grant revenues.



**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**BALANCE SHEETS  
AS OF JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 7,909	\$ -
Interest receivable	-	3,953
Intergovernmental receivables	156,966	51,495
<b>Total current assets</b>	<b>164,875</b>	<b>55,448</b>
<b>Noncurrent assets</b>		
Capital assets, net of accumulated depreciation	-	18,392
Long-term note receivable	79,069	79,069
<b>Total noncurrent assets</b>	<b>79,069</b>	<b>97,461</b>
<b>Total assets</b>	<b>\$ 243,944</b>	<b>\$ 152,909</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Management fee payable	\$ 156,966	\$ 51,495
<b>Net assets</b>		
Invested in capital assets	-	18,392
Unrestricted	86,978	83,022
Total net assets	86,978	101,414
<b>Total liabilities and net assets</b>	<b>\$ 243,944</b>	<b>\$ 152,909</b>

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, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating revenues</b>		
Private foundation grants	\$ 3,036	\$ -
Medicaid revenues	22,830	-
Food service	4,675	1,394
State foundation	1,816,339	1,791,376
Materials and fees	8,842	3,074
Other operating revenues	562	-
Total operating revenues	1,856,284	1,795,844
<b>Operating expenses</b>		
Purchased services	2,308,754	2,025,976
<b>Operating loss</b>	(452,470)	(230,132)
<b>Non-operating revenues (expenses)</b>		
Interest income	3,956	3,953
State and Federal grants	452,470	230,132
Loss on disposal of capital assets	(18,392)	(185,090)
Net non-operating revenue	438,034	48,995
<b>Net loss</b>	(14,436)	(181,137)
Net assets at beginning of year	101,414	282,551
<b>Net assets at end of year</b>	\$ 86,978	\$ 101,414

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, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Increase (decrease) in cash</b>		
<b>Cash flows from operating activities</b>		
Cash from the State of Ohio	\$ 1,816,339	\$ 1,791,376
Cash from Medicaid revenue	6,893	-
Cash from other operating sources	17,115	4,468
Cash payments to management company	<u>(2,203,283)</u>	<u>(2,004,063)</u>
Net cash (used for) operating activities	(362,936)	(208,219)
<b>Cash flows from noncapital financing activities</b>		
State and Federal grants	362,936	208,219
<b>Cash flows from investing activities</b>		
Interest collected from management company note	<u>7,909</u>	<u>-</u>
Net increase in cash	7,909	-
Cash at beginning of year	<u>-</u>	<u>-</u>
<b>Cash at end of year</b>	<u><u>\$ 7,909</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss	(452,470)	(230,132)
<b>Adjustments to reconcile operating loss to net cash used for operating activities:</b>		
Change in assets and liabilities:		
(Increase) decrease in assets:		
Medicaid receivables	(15,937)	-
Increase (decrease) in liabilities:		
Management fee payable	105,471	21,913
Total adjustments	<u>89,534</u>	<u>21,913</u>
Net cash used for operating activities	<u><u>\$ (362,936)</u></u>	<u><u>\$ (208,219)</u></u>

Noncash item:

The School disposed of capital assets having a net book value of \$18,392

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

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**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**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.

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, 3 board members of SAM are elected by the majority vote of the affiliated school boards.

SAM also provides management services to the following 25 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 School for Alternative Learners – Warren Middle and Secondary
- Summit Academy Community School for Alternative Learners – Xenia
- Summit Academy – Youngstown
- Summit Academy Secondary School – Youngstown

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**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 (the Sponsor). The contract was extended for a term ending on June 30, 2010, 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 vacancies that arise on the Board 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 assets and 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.

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**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 (except for the interest revenue discussed in Note 15) 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 to 10 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.

**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, 2010 and 2009, the carrying amount of the School's deposits was \$7,909 and \$0, and the bank balance was \$7,909 and \$0, respectively. The entire bank balance was covered by the Federal Deposit Insurance Corporation.

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2010 and 2009 consisted of intergovernmental (e.g. Medicaid, state, and federal grants) and interest 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**

Upon review of the School's capital assets, it was determined that all of the items were no longer in use (all had been acquired prior to July 1, 2001). Accordingly, all of them were written off during fiscal year 2010 at a loss of \$18,392, representing their net book value at the time of disposal. All other capital assets in the possession of the school are the property of SAM.

A summary of the School's capital assets at June 30, 2009 is as follows:

	<u>2009</u>
Furniture, fixtures and equipment	\$ 175,834
Less accumulated depreciation	<u>(157,442)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 18,392</u>

**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, except for interest as disclosed in Note 15. 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 is also responsible for the maintenance of the School's facility. 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 of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.



**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The School's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$40,128, \$49,866, and \$36,265, respectively; 46.8 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

**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 (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.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, 2010, 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 2009, 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.

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$76,655, \$60,376, and \$51,909, respectively; 98% has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$0 made by the School and \$0 made by the plan members.

**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, 2010, one member of the Board of Directors has 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 Medicare Part B Plan and a Health Care 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 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 employee contribution of 14 percent of cover payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 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 2010, this amount was \$35,800. During fiscal year 2010, the school paid \$5,627 in surcharges.

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 years of service, Medicare eligibility and retirement status.

On behalf of the school, SAM's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,497, \$14,817, and \$16,549, respectively; 46.8 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The school's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008, were \$2,178, \$2,671, and \$2,613, respectively; 46.8 percent has been contributed for fiscal year 2010, and 100 percent has been contributed for fiscal years 2009 and 2008.

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)**

**B. State Teachers Retirement System**

On behalf of the School, SAM 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](http://www.strsoh.org) or by calling (888) 227-7877.

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 2010, 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, 2010, 2009, and 2008 were \$5,475, \$4,313, and \$3,993, respectively; 98 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

**NOTE 9 - OTHER BENEFITS**

SAM has contracted with a private carrier to provide employees within the School medical/surgical benefits. SAM pays a portion 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, 2010 and 2009, the School had a management fee payable to SAM of \$156,966 and \$51,495, respectively. These payables consist of Medicaid and intergovernmental (grants) receivables to be transferred to SAM to cover expenses incurred by SAM on the School's behalf. During fiscal years 2010 and 2009, the School paid management fees to SAM totaling \$2,203,283 and \$2,004,063, 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 during the past three years, and there was no significant reduction in coverage amounts from the prior year policy.

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 12 - 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 are 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, 2010.

**NOTE 13 – TAX EXEMPT STATUS**

Effective March 1, 1999, the School was granted its status as a tax exempt, non-profit organization under Internal Revenue Code Section 501(c)(3).

**NOTE 14 – 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 2010 resulted in no significant adjustment to the School's state foundation revenue.

**NOTE 15 – 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.

**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**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 \$2,308,754 and \$2,025,976 for the years ended June 30, 2010 and 2009, respectively.

Summit Academy Management incurred the following actual direct and indirect expenses on behalf of the School during fiscal years 2010 and 2009:

	2010	2009
Utilities Services	\$ 104,931	\$ 58,264
Property Services	114,140	55,310
General Supplies	109,166	17,808
Professional and Technical Services	138,361	151,064
Retirement and Insurance Services	183,675	203,800
Salaries and Wages	991,383	750,625
Food and Related Supplies	38,081	37,574
Capital Outlay	31,902	32,225
Other Direct Costs	13,676	29,824
<b>Total Direct Costs</b>	1,725,315	1,336,494
<b>Total Indirect Costs (Overhead)</b>	285,449	423,781
<b>Total Expenses</b>	\$ 2,010,764	\$ 1,760,275

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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# Dave Yost • 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 basic financial statements of the Summit Academy Akron Elementary School, Summit County, Ohio, (the School) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated February 4, 2011. Our report refers to 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*. Other auditors audited the actual direct and indirect expenses incurred by Summit Academy Management on behalf of the School, as indicated in Note 16, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to Note 16.

### 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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 matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 4, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 4, 2011



**SUMMIT ACADEMY AKRON ELEMENTARY SCHOOL  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	<b>Ohio Rev. Code Section 3314.025</b> - A Finding for Recovery Repaid Under Audit was issued against a Board Member who was overcompensated. The amount was repaid on March 24, 2010.	Yes	Corrected
2009-002	<b>Ohio Rev. Code Section 3314.025</b> - A Finding for Recovery Repaid Under Audit was issued against a Board Member who was overcompensated. The amount was repaid on March 24, 2010.	Yes	Corrected

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Summit Academy Akron Elementary School, Summit County, Ohio, (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated February 26, 2010, we noted the Board adopted an anti-harassment policy at its meeting on November 7, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A procedure for responding to and investigating any reported incident;
  - (6) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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- (7) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
3. In our report dated February 26, 2010, we noted the policy excluded the following requirements from Ohio Rev. Code Section 3313.666(B):
    - (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
    - (2) A procedure for documenting any prohibited incident that is reported;
    - (3) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We noted the Board revised its anti-harassment policy at its meeting on April 20, 2010. We read the policy as revised, noting it now properly includes the items listed above.

4. We noted the Board updated its policy to apply to violence within a dating relationship by September 28, 2010, as required by Ohio Rev. Code 3313.666(G).

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 4, 2011



# Dave Yost • Auditor of State

**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  
MARCH 8, 2011**