

Summit Academy Community  
School - Parma  
Cuyahoga County, Ohio

*Audited Financial Statements*

For the Fiscal Years Ended  
June 30, 2015 and 2014





# Dave Yost • Auditor of State

Board of Directors  
Summit Academy Community School - Parma  
2791 Mogadore Rd  
Akron, OH 44312-1504

We have reviewed the *Independent Auditor's Report* of the Summit Academy Community School - Parma, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Summit Academy Community School - Parma is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 29, 2016

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**Summit Academy Community School - Parma**  
**Cuyahoga County, Ohio**  
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December 21, 2015

To the Board of Trustees  
Summit Academy Community School - Parma  
Cuyahoga County, Ohio  
5868 Stumph Road  
Parma, Ohio 44130

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Summit Academy Community School - Parma, Cuyahoga County, Ohio, (the "School") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2015 and 2014, and the respective changes in financial position and the cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As described in Note 16, the School restated the June 30, 2014 net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*." Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Schedule of the School's Proportionate Share of the Net Pension Liability*, and *Schedule of the School's Contributions* on pages 3-6, 27, and 28-29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

Medina, Ohio



**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

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

As management of Summit Academy Community School – Parma (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, 2015. 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 is utilized in which all School cash was 'swept' into the bank account of the management company. As a result, the School has no cash on June 30, 2015 and 2014.

The School has receivables totaling \$214,740 for Medicaid and federal grants earned in 2015, but not received until after June 30, 2015. The financial statements show a management fee payable to the management company for the same amount, reflecting the 100% pass-through of revenue to the management company.

**Overview of the Financial Statements**

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

The *Statement of Net Position* presents information on all the School's assets, deferred outflows, liabilities and deferred inflows with the difference being the net position. Over time, increases and decreases in net position 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 position is not expected to change significantly in the near future through operations. Changes in net position will be the result of changes in the School's changes in proportionate share of the net pension liability and related accruals.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the School's net position 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 COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

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

**Financial Analysis**

The following tables indicate our financial analysis of the School:

<u>Table 1 - Statements of Net Position</u>	6/30/2015	Restated 6/30/2014	Amount of Change	Percent of Change	6/30/2013
<b>Assets</b>					
State receivable	\$ -	\$ 5,016	\$ (5,016)	-100.0%	\$ 5,078
Intergovernmental receivables	49,779	64,559	(14,780)	-22.9%	59,217
Medicaid receivables	164,961	112,127	52,834	47.1%	54,178
Total Assets	<u>\$ 214,740</u>	<u>\$ 181,702</u>	<u>\$ 33,038</u>	18.2%	<u>\$ 118,473</u>
<b>Deferred outflows of resources</b>					
Pension	<u>\$ 748,505</u>	<u>\$ 654,394</u>	<u>\$ 94,111</u>	14.4%	<u>\$ -</u>
Total deferred outflows of resources	<u>\$ 748,505</u>	<u>\$ 654,394</u>	<u>\$ 94,111</u>	14.4%	<u>\$ -</u>
<b>Liabilities</b>					
Management fee payable	\$ 214,740	\$ 181,702	\$ 33,038	18.2%	\$ 118,473
Net pension liability	<u>8,376,565</u>	<u>9,901,640</u>	<u>(1,525,075)</u>	-15.4%	<u>-</u>
Total Liabilities	<u>\$ 8,591,305</u>	<u>\$ 10,083,342</u>	<u>\$ (1,492,037)</u>	-14.8%	<u>\$ 118,473</u>
<b>Deferred inflows of resources</b>					
Pension	<u>\$ 1,442,404</u>	<u>\$ -</u>	<u>\$ 1,442,404</u>	100.0%	<u>\$ -</u>
Total deferred inflows of resources	<u>\$ 1,442,404</u>	<u>\$ -</u>	<u>\$ 1,442,404</u>	100.0%	<u>\$ -</u>
<b>Net pension</b>	<u><u>\$ (9,070,464)</u></u>	<u><u>\$ (9,247,246)</u></u>	<u><u>\$ 176,782</u></u>	-1.9%	<u><u>N/A</u></u>

During 2015, the School adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$0 to \$(9,247,246). Amounts included in the management's discussion and analysis associated to the implementation and restatement of GASB related to fiscal year 2014 have been updated for comparability purposes and are not as presented in the basic financial statements.

On the Statement of Net Position, receivables increased by \$33,038 or 18.2% because more state and federal grants were owed to the School at June 30, 2015. The management fee payable to the management company increased by the same amount.

The deferred outflows related to pension increased \$94,111 or 14.4% and the deferred inflows related to pension increased \$1,442,404 or 100%. These accruals are included in the calculation of the net pension liability and represent changes in expected and actual experience and projected and actual earnings on investments, respectively. The School's proportionate share of the net pension liability decreased \$1,525,075 or 15.4%.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

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

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

	6/30/2015	6/30/2014	Amount of Change	Percent of Change	6/30/2013
Operating revenues	\$ 3,455,542	\$ 3,536,542	\$ (81,000)	-2.3%	\$ 3,434,105
Operating expenses	<u>3,559,372</u>	<u>3,809,279</u>	<u>(249,907)</u>	-6.6%	<u>3,711,114</u>
Operating loss	(103,830)	(272,737)	168,907	61.9%	(277,009)
Non-operating revenues	<u>280,612</u>	<u>272,737</u>	<u>7,875</u>	2.9%	<u>277,009</u>
<b>Change in net position</b>	<b><u>\$ 176,782</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 176,782</u></b>		<b><u>\$ -</u></b>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$654,394 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$496,355. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 3,559,372
Pension expense under GASB 68	(496,355)
2015 contractually required contribution	<u>673,137</u>
Adjusted 2015 program expenses	3,736,154
Total 2014 program expenses under GASB 27	<u>3,809,279</u>
Decrease in program expenses not related pension	<u>\$ (73,125)</u>

With respect to the Statement of Revenues, Expenses, and Changes in Net Position, operating revenues decreased by \$(81,000) or 2.3%, due primarily to a decrease in state foundation revenue caused by a decrease in enrollment. Operating expenses decreased by \$(249,907) or 6.6% as a result of the overall decrease in revenues.

Net non-operating revenues increased by \$7,875 or 2.9% as a result of more state and federal grant funding during 2015.

**Contacting the School's Financial Management**

This financial report is designed to provide our constituents with a general overview of the School's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, please contact CFO/Treasurer, Stephanie Ataya, by mail at Summit Academy Management, 2791 Mogadore Road, Akron, Ohio 44312; by email at Stephanie.Ataya@summitacademies.org; by calling (330) 670-8470; or by faxing (330) 784-7626.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Current assets</b>		
Intergovernmental receivables	\$ 49,779	\$ 64,559
State receivables	-	5,016
Medicaid receivables	164,961	112,127
<b>Total current assets</b>	<b>214,740</b>	<b>181,702</b>
<b>Deferred outflows of resources</b>		
Pension	748,505	-
<b>Total deferred outflows of resources</b>	<b>748,505</b>	<b>-</b>
<b>Current liabilities</b>		
Management fee payable	214,740	181,702
<b>Total current liabilities</b>	<b>214,740</b>	<b>181,702</b>
<b>Long term liabilities</b>		
Net pension liability	8,376,565	-
<b>Total long term liabilities</b>	<b>8,376,565</b>	<b>-</b>
<b>Total liabilities</b>	<b>8,591,305</b>	<b>181,702</b>
<b>Deferred inflows of resources</b>		
Pension	1,442,404	-
<b>Total deferred inflows of resources</b>	<b>1,442,404</b>	<b>-</b>
<b>Net Position</b>		
Unrestricted	<b>\$ (9,070,464)</b>	<b>\$ -</b>

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

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Operating revenues</b>		
Food service	\$ 3,712	\$ 3,497
Materials and fees	14,244	12,881
Medicaid	129,334	132,571
State foundation	3,302,459	3,371,996
Other revenue	5,793	15,597
Total operating revenues	3,455,542	3,536,542
<b>Operating expenses</b>		
Purchased services	3,559,112	3,809,030
Other expense	260	249
Total operating expenses	3,559,372	3,809,279
<b>Operating Loss</b>	(103,830)	(272,737)
<b>Non-operating revenues (expenses)</b>		
State and Federal grants	280,612	272,737
<b>Change in Net Position</b>	176,782	-
Net position at beginning of year, restated see note 16	(9,247,246)	-
<b>Net position at end of year</b>	\$ (9,070,464)	\$ -

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

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Increase (decrease) in cash</b>		
<b>Cash flows from operating activities:</b>		
Cash received from other operating sources	\$ 17,956	\$ 16,378
Cash from Medicaid	76,500	74,622
Cash from the State of Ohio	3,313,268	3,387,655
Cash payments to management company	(3,702,856)	(3,745,801)
Other cash payments	(260)	(249)
Net cash used for operating activities	(295,392)	(267,395)
<b>Cash flows from noncapital financing activities:</b>		
State and Federal grants	295,392	267,395
Net increase (decrease) in cash	-	-
Cash at beginning of year	-	-
<b>Cash at end of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss	\$ (103,830)	\$ (272,737)
<b>Adjustments to reconcile operating loss to net cash used for operating activities:</b>		
Change in assets, deferred outflows, liabilities and deferred inflows:		
(Increase) decrease in assets and deferred outflows:		
Medicaid receivables	(52,834)	(57,949)
State receivables	5,016	62
Deferred outflows	(94,111)	-
Increase (decrease) in liabilities and deferred inflows:		
Management fee payable	33,038	63,229
Net pension liability	(1,525,075)	-
Deferred inflows	1,442,404	-
Total adjustments	(191,562)	5,342
Net cash used for operating activities	<b>\$ (295,392)</b>	<b>\$ (267,395)</b>

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

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Summit Academy Community School - Parma, located in Cuyahoga 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 5 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 26 legally separate community schools whose results of operations are not included herein:

- Summit Academy Akron Elementary School
- 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 – Toledo
- Summit Academy Toledo Learning Center
- 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
- Ohio Construction Academy

The School has been approved for operation under a contract with the Educational Service Center of Lake Erie West (the Sponsor). The contract was extended for a term ending on June 30, 2014, and then renewed for an additional three-year term ending June 30, 2018, unless the Sponsor has given written notice of termination at least 90 days prior to the expiration date.



**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

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

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 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 asset, deferred outflows, liabilities and deferred inflows are included on the statement of net position. Equity (i.e., net total position) is the difference between assets, deferred outflows, liabilities and deferred inflows. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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, Educational Service Center of Lake Erie West, requires a detailed budget in the form of a five-year forecast, as described in Ohio Revised Code Section 5705.391.

**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 5.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Capital Assets and Depreciation**

The School does not possess any capital assets. All capital assets used by the School belong to SAM as further described in Note 5.

**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 5.

**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.

**I. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension, see Note 6.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Deferred Outflows/Inflows of Resources (continued)**

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position, see Note 6.

**NOTE 3 - DEPOSITS**

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

At June 30, 2015 and 2014, the carrying amount of the School's deposits was \$0, and the bank balance was \$0.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2015 and 2014 consisted of Medicaid, state and intergovernmental (e.g. state and 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 – 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 is also responsible for maintenance of the School's facility. See Note 14 for the amount of actual direct and indirect expenses incurred by SAM on behalf of the School.

**NOTE 6 – 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.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *management fee payable* on the accrual basis of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – 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 amounts 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 System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

On behalf of the School, SAM's contractually required contribution to SERS was \$239,793 for fiscal year 2015.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

On behalf of the School, SAM's contractually required contribution to STRS was \$433,344 for fiscal year 2015.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 3,650,251	\$ 4,726,314	\$ 8,376,565
Proportion of the Net Pension Liability	0.01500712%	0.09338800%	
Pension Expense	\$ 196,120	\$ 300,235	\$ 496,355

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 35,142	\$ 40,226	\$ 75,368
School contributions subsequent to the measurement date	<u>433,344</u>	<u>239,793</u>	<u>673,137</u>
Total Deferred Outflows of Resources	<u>\$ 468,486</u>	<u>\$ 280,019</u>	<u>\$ 748,505</u>

**Deferred Inflows of Resources**

Net difference between projected and actual earnings on pension plan investments	<u>\$ 675,310</u>	<u>\$ 767,094</u>	<u>\$ 1,442,404</u>
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\$673,137 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (160,042)	\$ (181,717)	\$ (341,759)
2017	(160,042)	(181,717)	(341,759)
2018	(160,042)	(181,717)	(341,759)
2019	<u>(160,042)</u>	<u>(181,717)</u>	<u>(341,759)</u>
	<u>\$ (640,168)</u>	<u>\$ (726,868)</u>	<u>\$ (1,367,036)</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:



**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$ 6,743,045	\$ 4,726,314	\$ 3,030,068

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$ 5,225,732	\$ 3,650,251	\$ 2,317,924

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

The following discussion is for 2014, which follows GASB 27.

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 defined benefit pension plan. SERS provides retirement, disability and survivor 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posed on the SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$379,914, \$319,163, and \$297,753, respectively; 100 percent for the fiscal years 2014, 2013 and 2012.

**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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publically available, 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’s lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (continued)**

**B. State Teachers Retirement System (continued)**

contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB 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 monthly 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 of 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 of the DC Plan 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, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 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, 2014, 2013, and 2012 were \$253,856, \$208,098, and \$211,330, respectively; 100 percent for the fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 are available upon request.

**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, 2015, two members of the Board of Directors have elected Social Security. The contribution rate is 6.2 percent of wages paid.

**NOTE 7 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description – On behalf of the School, SAM contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

**NOTE 7 - POSTEMPLOYMENT BENEFITS (continued)**

***A. School Employees Retirement System (continued)***

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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

On behalf of the School, SAM's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$17,967, \$7,074 and \$3,648, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013 and 2012, were \$20,624, \$16,870, and \$15,951, respectively; 91.2 for fiscal years 2014 and 100 percent for the fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description – On behalf of the School, SAM participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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.

Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. On behalf of the School, SAM's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$18,133, and \$14,864, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

**NOTE 8 – 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 9 – TRANSACTIONS WITH RELATED PARTIES**

As of June 30, 2015 and 2014, the School had a management fee payable to SAM of \$214,740 and \$181,702, respectively. These payables consist of Medicaid, state and intergovernmental (grants) receivables to be transferred to SAM to cover expenses incurred by SAM on the School's behalf. During fiscal years 2015 and 2014, the School paid management fees to SAM totaling \$3,702,856 and \$3,745,801, respectively.

**NOTE 10 – 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 contents insured for \$50,000. 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.

**NOTE 11 - CONTINGENCIES**

**Grants** – The School received financial assistance from federal and state agencies in the form of grants. The expenditure 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, 2015.

**NOTE 12 – TAX EXEMPT STATUS**

Effective January 26, 2007, the School was granted its status as a tax exempt, non-profit organization under Internal Revenue Code Section 501(c) (3).

**NOTE 13– SUBSEQUENT EVENTS**

**ODE Review** – School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

**NOTE 14 – MANAGEMENT COMPANY EXPENSES**

As per the agreement with SAM (See Note 5), 100 percent of the School's revenue is paid to SAM as a management fee. The related 'purchased services' expense totaled \$3,559,112 and \$3,809,030 for the years ended June 30, 2015 and 2014, respectively. The 2015 purchased services amount includes a reduction in expense of \$176,782 related to the change in net pension liability and related accruals.

Summit Academy Management incurred the following actual direct and indirect expenses on behalf of the School during fiscal years 2015 and 2014:

	2015	2014
Salaries and Wages	\$ 1,703,615	\$ 1,762,308
Retirement and Insurance Benefits	560,834	506,417
Professional and Technical Services	276,498	297,017
Utilities Services	73,673	74,575
General Supplies	65,318	51,826
Capital Outlay	101,601	76,840
Interest Expense	29,156	26,997
Food and Related Items	55,212	54,280
Property Services	51,556	39,098
Other Direct Costs	22,473	5,706
<b>Total Direct Costs</b>	2,939,936	2,895,064
<b>Total Indirect Costs (Overhead)</b>	511,942	400,889
<b>Total Expenses</b>	\$ 3,451,878	\$ 3,295,953

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.

**NOTE 15 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

For the fiscal year ended June 30, 2015, the School has implemented the following:

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27" improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and interperiod equity by requiring recognition of the entire pension liability and a more comprehensive measure of pension expense. This statement also replaces GASB Statement No. 27 as it relates to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this statement had a significant effect on the financial statements of the School, see Note 16.

GASB Statement No. 69 "Government Combinations and Disposals of Government Operations" provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of this statement did not have an effect on the financial statements of the School.

**SUMMIT ACADEMY COMMUNITY SCHOOL - PARMA  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

**NOTE 15 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS (continued)**

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68” eliminates the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of this statement had a significant effect on the financial statements of the School, see Note 16.

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$	0
Deferred Outflows of Resources		654,394
Net Pension Liability		<u>(9,901,640)</u>
Restated Net Position, June 30, 2014	\$	<u><u>(9,247,246)</u></u>

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.



**Summit Academy Community School - Parma**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>		
School's proportion of the net pension liability	0.01500712%	0.01500712%
School's proportionate share of the net pension liability	\$ 3,650,251	\$ 4,348,155
School's covered-employee payroll	\$ 1,952,738	\$ 1,600,754
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.93%	271.63%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
 <b><i>School Employees Retirement System (SERS)</i></b>		
School's proportion of the net pension liability	0.09338800%	0.09338800%
School's proportionate share of the net pension liability	\$ 4,726,314	\$ 5,553,485
School's covered-employee payroll	\$ 2,889,885	\$ 2,427,984
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.55%	228.73%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

**Summit Academy Community School - Parma**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Contributions*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 433,344	\$ 253,856	\$ 208,098	\$ 211,330
Contributions in Relation to the Contractually Required Contribution	<u>(433,344)</u>	<u>(253,856)</u>	<u>(208,098)</u>	<u>(211,330)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's covered-employee payroll	\$ 3,095,314	\$ 1,952,738	\$ 1,600,754	\$ 1,625,615
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>				
Contractually required contribution	\$ 239,793	\$ 400,538	\$ 336,033	\$ 313,704
Contributions in relation to the contractually required contribution	<u>(239,793)</u>	<u>(400,538)</u>	<u>(336,033)</u>	<u>(313,704)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's covered-employee payroll	\$ 1,819,371	\$ 2,889,885	\$ 2,427,984	\$ 2,332,372
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 157,564	\$ 147,847	\$ 105,564	\$ 98,215	\$ 85,732	\$ 82,208
<u>(157,564)</u>	<u>(147,847)</u>	<u>(105,564)</u>	<u>(98,215)</u>	<u>(85,732)</u>	<u>(82,208)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,212,031	\$ 1,137,285	\$ 812,031	\$ 755,500	\$ 659,477	\$ 632,369
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 311,250	\$ 116,421	\$ 53,668	\$ 51,809	n/a	n/a
<u>(311,250)</u>	<u>(116,421)</u>	<u>(53,668)</u>	<u>(51,809)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 2,476,134	\$ 859,830	\$ 545,407	\$ 527,587	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

December 21, 2015

To the Board of Directors  
Summit Academy Community School - Parma  
Cuyahoga County, Ohio  
5868 Stumph Road  
Parma, Ohio 44130

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Summit Academy Community School - Parma, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 21, 2015, in which we noted the School restated the June 30, 2014 net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*."

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Medina, Ohio

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# Dave Yost • Auditor of State

**SUMMIT ACADEMY COMMUNITY SCHOOL-PARMA**

**CUYAHOGA 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 12, 2016**