

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

(AUDITED)

**BASIC
FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2012*

TRACY JARVIS, TREASURER



Dave Yost • Auditor of State

Board of Directors
Schnee Learning Center
2222 Issaquah Street
Cuyahoga Falls, Ohio 44221

We have reviewed the *Independent Accountants' Report* of the Schnee Learning Center, Summit County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 Schnee Learning Center is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 11, 2013

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**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements.....	10 - 15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	16 - 17
Schedule of Findings and Responses.....	18



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

Schnee Learning Center
Summit County
2222 Issaquah Street
Cuyahoga Falls, Ohio 44221

To the Board of Directors:

We have audited the accompanying basic financial statements of the Schnee Learning Center, Summit County, Ohio, a component unit of Cuyahoga Falls City School District, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Schnee Learning Center's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Schnee Learning Center, Summit County, Ohio, as of June 30, 2012, and the changes in its financial position and its cash flows for the fiscal year 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 January 22, 2013, on our consideration of the Schnee Learning Center'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 22, 2013

SCHNEE LEARNING CENTER
(A Component Unit of Cuyahoga Falls City School District)
SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012
(UNAUDITED)

The management's discussion and analysis of the Schnee Learning Center (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ending June 30, 2012. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2012 are as follows:

- In total, the net assets were \$38,029 at June 30, 2012.
- The Center had operating revenues of \$985,719 and operating expenses of \$1,250,755 for fiscal year 2012. The Center also received \$183,298 in State and federal grants and \$9,980 in other non-operating revenues during fiscal year 2012.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Center, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Center finances and meets the cash flow needs of its operations.

Reporting the Center Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2012?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-15 of this report.

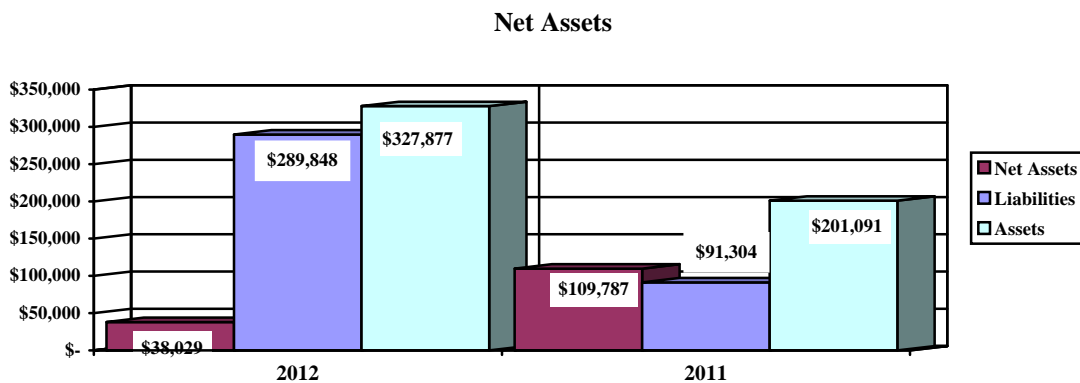
SCHNEE LEARNING CENTER
(A Component Unit of Cuyahoga Falls City School District)
SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012
(UNAUDITED)

The table below provides a summary of the Center's net assets for June 30, 2012 and June 30, 2011.

	2012	2011
Net Assets		
<u>Assets</u>		
Current assets	\$ 217,739	\$ 29,223
Capital assets, net	110,138	171,868
Total assets	327,877	201,091
<u>Liabilities</u>		
Current liabilities	289,848	91,304
Total liabilities	289,848	91,304
<u>Net Assets</u>		
Invested in capital assets	110,138	171,868
Restricted	27,021	15,081
Unrestricted (deficit)	(99,130)	(77,162)
Total net assets	\$ 38,029	\$ 109,787

The chart below illustrates the Center's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Center's assets exceeded liabilities by \$38,029.

At year-end, capital assets represented 33.59% of total assets. Capital assets consisted of equipment and software. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

SCHNEE LEARNING CENTER
(A Component Unit of Cuyahoga Falls City School District)
SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012
(UNAUDITED)

The table below shows the changes in net assets for the fiscal year ended June 30, 2012 and June 30, 2011.

Change in Net Assets

	<u>2012</u>	<u>2011</u>
<u>Operating Revenues:</u>		
State foundation	\$ 975,870	\$ 942,920
Fees	<u>9,849</u>	<u>4,567</u>
Total operating revenues	<u>985,719</u>	<u>947,487</u>
<u>Operating Expenses:</u>		
Purchased services	1,143,812	1,173,323
Materials and supplies	37,900	20,014
Other operating expenses	7,313	7,144
Depreciation	<u>61,730</u>	<u>21,174</u>
Total operating expenses	<u>1,250,755</u>	<u>1,221,655</u>
<u>Non-operating revenues:</u>		
Federal and state grants	183,298	154,678
Other non-operating revenue	<u>9,980</u>	<u>2,778</u>
Total non-operating revenues	<u>193,278</u>	<u>157,456</u>
Change in net assets	(71,758)	(116,712)
Net assets at beginning of year	<u>109,787</u>	<u>226,499</u>
Net assets at end of year	<u>\$ 38,029</u>	<u>\$ 109,787</u>

Operating revenues and non-operating revenues of the Center increased \$74,054 or 6.70%. This increase can mainly be attributed to an increase in State foundation revenue which resulted primarily from an increase in special education aid. The increase can also be attributed to the education jobs grant.

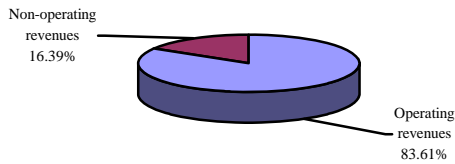
Operating expenses and non-operating expenses increased \$29,100 or 2.38%. The most significant increase was in the area of depreciation which increased \$40,556. This increase is due to depreciation on software purchased by the Center.

SCHNEE LEARNING CENTER
(A Component Unit of Cuyahoga Falls City School District)
SUMMIT COUNTY, OHIO

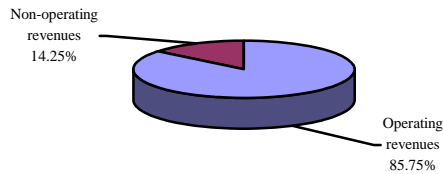
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012
(UNAUDITED)

The charts below illustrate the revenues and expenses for the Center for the fiscal year ended June 30, 2012 and June 30, 2011.

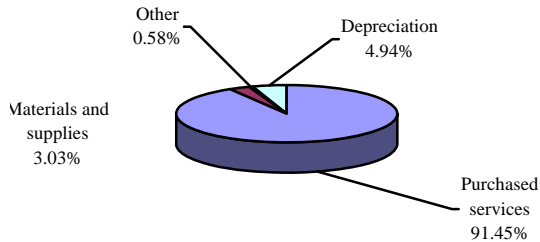
2012 Revenues



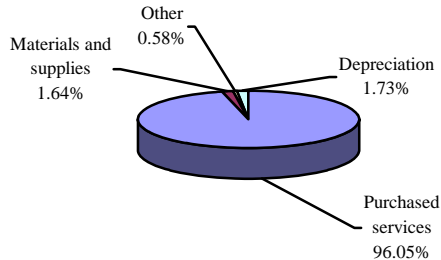
2011 Revenues



2012 Expenses



2011 Expenses



Capital Assets

At June 30, 2012, the Center had \$110,138 invested in equipment and software. See Note 4 in the notes to the basic financial statements for more detail on capital assets.

Economic Conditions and Outlook

The Center is sponsored by the Cuyahoga Falls City School District. The Center relies primarily on the State Foundation funds. In order to continually provide opportunities to the Center's students, the Center will apply resources to best meet the needs of its students. It is the intent of the Center to apply for State and Federal funds that are made available to finance operations.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tracy Jarvis, Treasurer, Schnee Learning Center, 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396.

SCHNEE LEARNING CENTER
(A Component Unit of Cuyahoga Falls City School District)
SUMMIT COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
<u>Current assets:</u>	
Cash and cash equivalents	\$ 206,827
Intergovernmental receivable	5,706
Prepayments	5,206
	<hr/>
Total current assets	217,739
	<hr/>
<u>Non-current assets:</u>	
Depreciable capital assets, net	110,138
	<hr/>
Total assets.	327,877
	<hr/>
Liabilities:	
Intergovernmental payable	241,402
Due to related parties	48,446
	<hr/>
Total liabilities	289,848
	<hr/>
Net assets:	
Invested in capital assets	110,138
Restricted for:	
Public school support	2,963
Federal programs	5,706
Other purposes	18,352
Unrestricted (deficit)	(99,130)
	<hr/>
Total net assets	\$ 38,029
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SCHNEE LEARNING CENTER
(A Component Unit of Cuyahoga Falls City School District)
SUMMIT COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
Foundation revenue	\$ 975,870
Fees	9,849
Total operating revenues	<u>985,719</u>
Operating expenses:	
Purchased services.	1,143,812
Materials and supplies	37,900
Other.	7,313
Depreciation	61,730
Total operating expenses.	<u>1,250,755</u>
Operating loss	<u>(265,036)</u>
Non-operating revenues:	
Federal and state grants	183,298
Miscellaneous	9,980
Total non-operating revenues	<u>193,278</u>
Change in net assets.	(71,758)
Net assets at beginning of year	<u>109,787</u>
Net assets at end of year.	<u><u>\$ 38,029</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SCHNEE LEARNING CENTER
(A Component Unit of Cuyahoga Falls City School District)
SUMMIT COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Cash received from state foundation	\$ 988,352
Cash received from fees	9,849
Cash payments for contractual services	(953,785)
Cash payments for materials and supplies	(39,315)
Cash payments for other expenses	(7,342)
	(2,241)
Net cash used in operating activities	(2,241)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	177,592
Cash received from non-operating revenues	9,980
	187,572
Net cash provided by noncapital financing activities.	187,572
Net increase in cash and cash cash equivalents	185,331
Cash and cash equivalents at beginning of year . . .	21,496
Cash and cash equivalents at end of year	\$ 206,827
	206,827
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (265,036)
Adjustments:	
Depreciation	61,730
Changes in assets and liabilities:	
Decrease in prepayments	2,521
(Decrease) in accounts payable	(3,915)
Increase in intergovernmental payable	224,009
(Decrease) in due to related parties	(21,550)
	(2,241)
Net cash used in operating activities.	\$ (2,241)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE CENTER

The Schnee Learning Center (the "Center") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a conversion school in Cuyahoga Falls City School District (the "Sponsor") addressing the needs of students in grades 9-12. The Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Center, as part of the Sponsor District, is an approved tax-exempt organization. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Center may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center. The Center is considered a component unit of the Cuyahoga Falls City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Center's objective is to deliver a comprehensive educational program that is tied to state and national standards for at-risk students in grade 9 through grade 12. It is to be operated under a contract with the Sponsor to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive and standards-based educational program. The Center uses the services of the Sponsor to assist with overall operations.

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on July 22, 2005. The Center was approved for operation under a contract with the Sponsor for five years commencing July 1, 2005. On June 28, 2010, the Center renewed the contract with the Sponsor for an additional five years, which will expire June 30, 2015. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Center began accepting students on August 3, 2005, and served 145 students during fiscal year 2012.

The Center operates under the direction of a six-member Board of Directors which consists of the Cuyahoga Falls City School District superintendent who is a non-voting member and serves as President, an Ivy Park Association Representative, three elected officials, and a parent of a Center student. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Treasurer is the Chief Financial Officer of the Center. Treasurer and fiscal services are provided by Jarvis and Associates.

The Sponsor, on a purchased services basis with the Center, provides planning, instructional, administrative and technical services. Personnel providing services to the Center on behalf of the Sponsor on the purchased services basis are employees of the Summit County ESC. Payments from the Center to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract for the period July 1, 2011 through June 30, 2012 can be found in Note 6.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Center does not apply FASB guidance issued after November 30, 1989. The Center's significant 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) 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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net 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 not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Center's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

D. Cash

Cash received by the Center is maintained in a demand deposit account.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Center maintains a capitalization threshold of \$5,000. The Center does not have any infrastructure.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment consists of computers and equipment which are depreciated over three to ten years. Software is depreciated over 36 to 44 months.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The amount restricted for other purposes includes amounts restricted for the special trust fund, rotary fund, student activities fund and uniform school supplies fund.

The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

H. Intergovernmental Revenue

The Center currently participates in the State Foundation Program, the Title VI-B grant, Title I grant, Ed jobs grant and the SEED grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. 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 permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the Center on a reimbursement basis.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2012, the carrying amount of the Center's deposits was \$206,827. Based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of June 30, 2012, all of the Center's bank balance of \$476,057 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

NOTE 4 - CAPITAL ASSETS

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012
<i>Capital assets being depreciated:</i>				
Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Software	<u>188,278</u>	<u>-</u>	<u>-</u>	<u>188,278</u>
Total capital assets being depreciated	<u>194,403</u>	<u>-</u>	<u>-</u>	<u>194,403</u>
<i>Less: accumulated depreciation</i>				
Equipment	(3,403)	(2,042)	-	(5,445)
Software	<u>(19,132)</u>	<u>(59,688)</u>	<u>-</u>	<u>(78,820)</u>
Total accumulated depreciation	<u>(22,535)</u>	<u>(61,730)</u>	<u>-</u>	<u>(84,265)</u>
Net capital assets	<u>\$ 171,868</u>	<u>\$ (61,730)</u>	<u>\$ -</u>	<u>\$ 110,138</u>

NOTE 5 - RECEIVABLES

The Center had the following intergovernmental receivables at June 30, 2012:

Title I	<u>\$ 5,706</u>
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The intergovernmental receivables are expected to be collected in the subsequent year.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

Professional and technical services	\$ 973,675
Travel and meetings	1,042
Communications	3
Miscellaneous	<u>169,092</u>
Total	<u>\$ 1,143,812</u>

NOTE 7 - RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. The Center had a commercial insurance package with Indiana Insurance.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior year.

NOTE 8 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Center 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2012, if applicable, cannot be determined at this time.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made 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. As a result of the review after fiscal year end, the Ohio Department of Education overpaid the Center \$12,482. This amount is reflected as an intergovernmental payable on the basic financial statements.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - RELATED PARTY TRANSACTIONS

For the fiscal year ended June 30, 2012, the Center had expenses of \$282,649 to their sponsor for reimbursement of expenses. There was an amount of \$48,446 due to their sponsor at June 30, 2012. This amount is displayed as “due to related parties” on the basic financial statements.

NOTE 10 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Center has implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53”.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Center.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Center.



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

Schnee Learning Center
Summit County
2222 Issaquah Street
Cuyahoga Falls, Ohio 44221

To the Board of Directors:

We have audited the financial statements of the Schnee Learning Center, Summit County, Ohio, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated January 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schnee Learning Center'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 Schnee Learning Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Schnee Learning Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 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 timely corrected. We consider finding 2012-SLC-001 described in the accompanying schedule of findings and responses to be a material weakness.

Board of Directors
Schnee Learning Center

Compliance and Other Matters

As part of reasonably assuring whether the Schnee Learning Center'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 Schnee Learning Center's management in a separate letter date January 22, 2013.

The Schnee Learning Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Schnee Learning Center's response, and accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 22, 2013

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-SLC-001

Material Weakness - Audit Adjustment

A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified a misstatement in the financial statements that was not initially identified by the Schnee Learning Center's internal control. The Schnee Learning Center had the following audit adjustment necessary to properly record activity for fiscal year 2012:

Increase intergovernmental payable and increase purchased services in the amount of \$228,920 to properly record a liability for fiscal year 2012 salaries and benefits that were not paid until fiscal year 2013.

The adjustment has been recorded by the Schnee Learning Center.

Proper posting of the Schnee Learning Center's activities is a crucial part of the financial statements as potential users may rely on the statements to make decisions that could have an impact on the Schnee Learning Center.

We recommend the Schnee Learning Center review its current controls over financial reporting and develop additional policies, procedures and controls to help ensure more accurate posting and reporting.

Client Response: The Schnee Learning Center will attempt to properly post all transactions in the future.



Dave Yost • Auditor of State

SCHNEE LEARNING CENTER

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 21, 2013**