



Dave Yost • Auditor of State

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Greater Summit County Early Learning Center
Summit County
2141 Pickle Road
Akron, Ohio 44312

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Summit County Early Learning Center, Summit County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the School prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Greater Summit County Early Learning Center as of and for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 29, 2017

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH
DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
State foundation	\$ 853,678
Classroom fees	4,455
Total operating cash receipts	858,133
Operating cash disbursements:	
Purchased services:	
Salaries	435,287
Grants	25,787
Management services	1,832
Technical support	3,228
Staff services	1,400
Health services	4,058
Contracted food services	1,193
Travel mileage/meetings	8,619
Repairs and maintenance	16,061
Insurance	5,978
Rent	23,185
Supplies and materials	47,655
Capital outlay	1,521
Other	6,495
Total operating cash disbursements	582,299
Operating income	275,834
Non-operating cash receipts:	
Grants	52,895
Private foundation grant	145,000
Contributions and donations	7,360
Interest receipts	235
Miscellaneous	9,446
Total non-operating cash receipts	214,936
Net receipts over disbursements	490,770
Fund cash balance, July 1	462,087
Fund cash balance, June 30	\$ 952,857

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School

The Greater Summit County Early Learning Center (the "School"; doing business as Scope Academy) is a tax exempt, nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 as a community school. The School was created as a conversion type community school, utilizing certain resources converted to the School's use by the Summit County Educational Service Center (ESC), the School's Sponsor, to provide children with a quality learning environment that is responsive to their individual growth and development. The School, which is part of the State's education program, is independent of any 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.

The Sponsor, on a purchased service basis with the School, provides planning, instructional, administrative and technical services. Personnel providing services to the School on behalf of the Sponsor on the purchased services basis are employees of the Summit County ESC. The Treasurer of the Summit County ESC is also the Treasurer for the School. The School signed a contract with the Summit County ESC (Sponsor), to operate for a period from July 1, 2011 through June 30, 2013 as well as July 1, 2013 through June 30, 2015. The sponsorship contract was also renewed for a one year period from July 1, 2015 through June 30, 2016.

The School operates under a self-appointing, five-member Board of Directors (the "Board"). The School's Bylaws & Policies specify that vacancies that arise on the Board will be 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, 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 facility is staffed with teaching personnel employed by the Sponsor, who provide services to 128 students.

B. Accounting Basis of Presentation

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. 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.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School 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 Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. Deposits and Investments

All cash received by the School is maintained in a demand deposit account. During fiscal year 2015, the School had no investments.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the Economic Disadvantaged Funding Program, and the Special Education Program, which are reflected under "State Aid" on the Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances. Cash receipts from these programs are recognized as operating cash receipts in the accounting period in which they are received.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating cash receipts in the accounting period in which they are received.

F. Private Foundation Grant

The School received a private foundation grant in the amount of \$145,000 during fiscal year 2015 from the GAR Foundation. Cash receipts from this grant are recognized as non-operating cash receipts in the accounting period in which they are received.

G. Capital Assets

The School records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

H. Operating Cash Receipts and Disbursements

Operating cash receipts are those receipts that are generated directly from the School's primary activities. For the School, these receipts are primarily State Foundation payments. Operating disbursements are necessary costs incurred to provide the goods and services that are the primary activities of the School. Cash receipts and disbursements not meeting this definition are reported as non-operating.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2015, the carrying amount of all School deposits was \$952,857. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$718,000 of the School's bank balance of \$968,000 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

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.

The School had no investments outstanding at June 30, 2015.

NOTE 3 - 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; and natural disasters. The School has obtained commercial insurance from Liberty Mutual Insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and,
- Errors and Omissions.

During the past three fiscal years, the School made no payments for losses that exceeded insurance coverage.

NOTE 4 - CONTINGENT LIABILITIES

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 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. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2015, if applicable, cannot be determined at this time.

NOTE 5 - LEASE AGREEMENT

The School entered into a five year operating lease agreement with the Springfield Local School District Board of Education for the School's building on August 1, 2012. The terms of the lease agreement call for the School to pay \$1,667 each month for the first year with a 3% increase each year thereafter. The lessor may terminate the lease with written notice prior to January 1, 2015 or 2016 in the event the lessor deems it necessary to utilize the premises in the operation of its schools.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - LEASE AGREEMENT

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 21,855
2017	22,510

NOTE 6 - SPONSOR FEES

The Agreement between the School and the Summit County ESC (Sponsor) allows for sponsor fee payments not to exceed 3% of the total amount of payments from the State for operating expenses in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract. During fiscal year 2015, the School paid \$0 to the Sponsor for these fees.



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

Greater Summit County Early Learning Center
Summit County
2141 Pickle Road
Akron, Ohio 44312

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Greater Summit County Early Learning Center, Summit County, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017, wherein we issued an adverse opinion on the School's financial statements because the School prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governmental entities not required to report in accordance with GAAP rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

School's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 29, 2017

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance - Ohio Admin Code § 117-2-03 (B)

Ohio Admin Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The School did not prepare its annual financial report in accordance with GAAP. The School prepared its annual financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equity, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code **§ 117.38**, the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School should prepare its financial statements in accordance with generally accepted accounting principles to help ensure compliance with the Ohio Administrative Code.

Official's Response:

In the first year of the school, the Board directed the fiscal officer NOT to prepare GAAP statements for the school because it didn't give value to the students and was not cost effective. This was reaffirmed with the Board after the current treasurer started with the School in July 2016.

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER
SUMMIT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Administrative Code Section 117-2-03(B) – the School did not prepare its annual financial report in accordance with general accepted accounting principles.	Not Corrected	In the first year of the school, the Board directed the fiscal officer NOT to prepare GAAP statements for the school because it didn't give value to the students and was not cost effective. This was reaffirmed with the Board after the current treasurer started with the School in July 2016. Refer to Finding Number 2015-001

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GREATER SUMMIT COUNTY EARLY LEARNING CENTER ELEMENTARY SCHOOL

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2017**