



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 years ended June 30, 2014 and 2013, 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, 2014 and 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The School also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2015 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

April 20, 2015

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
State Aid	\$ 772,603
Operating Cash Disbursements:	
Purchased Services: Salaries	571,390
Purchased Services: Grants	44,958
Purchased Services: Management Services	875
Purchased Services: Tech Support	3,227
Travel Mileage/Meeting Expenses	13,066
Supplies and Materials	57,674
Insurance	6,483
Capital Outlay	4,123
Repair and Maintenance	9,900
Rent	22,509
Other	643
Total Operating Cash Disbursements	734,848
Operating Income	37,755
Non-Operating Cash Receipts:	
Grant Revenue	53,476
Private Foundation Grant	145,000
Miscellaneous Revenue	24,172
Total Non-Operating Cash Receipts	222,648
Net Receipts Over/(Under) Disbursements	260,403
Fund Cash Balances, July 1	201,684
Fund Cash Balances, June 30	\$ 462,087

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
State Aid	\$ 595,419
Operating Cash Disbursements:	
Purchased Services: Salaries	407,432
Purchased Services: Grants	35,203
Purchased Services: Management Services	500
Purchased Services: Tech Support	3,227
Travel Mileage/Meeting Expenses	6,628
Supplies and Materials	9,396
Insurance	5,782
Repair and Maintenance	9,700
Rent	21,802
Other	7,070
Total Operating Cash Disbursements	506,740
Operating Income	88,679
Non-Operating Cash Receipts:	
Grant Revenue	14,098
Miscellaneous Revenue	25,704
Total Non-Operating Cash Receipts	39,802
Net Receipts Over/(Under) Disbursements	128,481
Fund Cash Balances, July 1	73,203
Fund Cash Balances, June 30	\$ 201,684

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School

The Greater Summit County Early Learning Center (the School) 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 School operates under a self-appointing, three-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 118 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013
(Continued)**

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 years 2014 and 2013, the School invested in a repurchase agreement (overnight sweep), which is reported at cost.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State 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. Capital Assets

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

G. 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 Aid 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013
(Continued)**

2. DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2014 and 2013, the carrying amounts of all School deposits were \$22,087 and \$21,684, respectively. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014 and 2013, the School's bank balances of \$26,507 and \$29,385, respectively, were 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.

B. Investments:

The School's financial institution transfers securities to the School's agent to collateralize repurchase agreements. The securities are not in the School's name.

As of June 30, 2014, the School had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 440,000	\$ 440,000

As of June 30, 2013, the School had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 180,000	\$ 180,000

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
Repurchase Agreement	\$440,000	100%

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013
(Continued)**

2. DEPOSITS AND INVESTMENTS (Continued)

The following table includes the percentage of each investment type held by the School at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
Repurchase Agreement	\$180,000	100%

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 Ohio Casualty Insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions.

During fiscal years 2014 and 2013, the School made no payments for losses that exceeded insurance coverage.

4. CONTINGENT LIABILITIES

A. 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, 2014 and 2013, if applicable, cannot be determined at this time.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and fulltime 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 funding is calculated. The conclusions of this review could result in state funding being adjusted. However, in the opinion of the School, these adjustments will not have a material effect on the financial position of the School.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013
(Continued)**

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.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$21,218
2016	21,855
2017	22,510

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 years 2014 and 2013, the School paid \$0 to the Sponsor for these fees.

7. PURCHASED SERVICES

For the fiscal years ended June 30, 2014 and 2013, amounts paid to the Sponsor for purchased services were as follows:

	<u>2014</u>	<u>2013</u>
Salaries	\$571,390	\$407,432
Grants	44,958	35,203
Management Services	875	500
Technical Services	<u>3,227</u>	<u>3,227</u>
Total Purchased Services	<u>\$620,450</u>	<u>\$446,362</u>

8. CONTINGENCY

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result ODE will be running a Final #2 foundation report for community schools and STEM schools for the fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in future revenue to the schools affected".

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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 Greater Summit County Early Learning Center, Summit County, (the School) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated April 20, 2015, 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 2014-001.

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

April 20, 2015

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance

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 equities, 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.

Officials' 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.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Administrative Code Section 117-2-03(B) – the School did not prepare its annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Similar comment repeated as a finding 2014-001.
2012-02	Summit Co ESC Bylaws and Policy 3440 – Job Related Expenses – the School reimbursed an employee for a \$16 expenditure related to alcohol.	Yes	Corrected. Employee repaid amount to School in prior year.



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Directors:

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

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

1. We noted the School amended its anti-harassment policy at its meeting on November 16, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

April 20, 2015

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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
MAY 19, 2015**