



**Auditor of State  
Betty Montgomery**



**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

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**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS**

Summit Academy Community School for the Creative Arts, Inc.  
Summit County  
1111 West Market Street  
Akron, Ohio 44313

To the Board of Trustees:

We have audited the Balance Sheet of Summit Academy Community School for the Creative Arts, Inc., Summit County, Ohio, (the School) as of June 30, 2002, and the related Statements of Revenues, Expenses, and Changes in Accumulated Deficit, and of Cash Flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 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 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 financial position of Summit Academy Community School for the Creative Arts, Inc., Summit County, as of June 30, 2002, and the results of its operations and its cash flows for the 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 February 13, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

February 13, 2003

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**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2002**

**ASSETS**

**Current assets:**

Cash	\$ 494
Intergovernmental receivable	25,132
<b>Total assets</b>	<b><u>\$ 25,626</u></b>

**LIABILITIES AND FUND EQUITY**

**Current liabilities:**

Management fee payable	\$ 25,132
Deferred revenue	25,273
<b>Total liabilities</b>	<b>50,405</b>

**Fund equity**

Accumulated deficit	(24,779)
<b>Total liabilities and fund equity</b>	<b><u>\$ 25,626</u></b>

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

**SUMMIT ACADEMYCOMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ACCUMULATED DEFICIT  
FOR THE YEAR ENDED JUNE 30, 2002**

<b><u>Operating revenues</u></b>	
State foundation	\$ 769,194
Materials and fees	1,175
Other	39
Total operating revenue	<u>770,408</u>
<b><u>Operating expenses</u></b>	
Purchased services	<u>974,319</u>
<b>Operating loss</b>	<b>(203,911)</b>
<b><u>Non-operating revenues</u></b>	
State and Federal grants	<u>179,132</u>
<b>Net Loss</b>	<b>(24,779)</b>
Retained earnings at beginning of year	<u>-</u>
Accumulated deficit at end of year	<u><b>\$ (24,779)</b></u>

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



**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002**

**Increase (decrease) in cash**

**Cash flows from operating activities:**

Cash received from other operating sources	\$ 1,214
Cash received from the State of Ohio	794,467
Cash payments to management company	<u>(949,187)</u>
Net cash used for operating activities	<u>(153,506)</u>

**Cash flows from noncapital financing activities:**

State and Federal grants	<u>154,000</u>
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Net increase in cash 494

Cash at beginning of year -

Cash at end of year \$ 494

**Reconciliation of operating loss to net cash used for operating activities:**

Operating loss \$ (203,911)

**Adjustments to reconcile operating loss to net cash used for operating activities:**

Change in liabilities:

Increase in liabilities:

Management fee payable	25,132
Deferred revenue	<u>25,273</u>

Net cash used for operating activities \$ (153,506)

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

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**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

Summit Academy Community School for the Creative Arts, Inc., located in Summit County, (the School) is a state nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School provides educational, literary, scientific, and related teaching services for "at-risk" children with the symptoms of Attention Deficit Disorder (ADD) and Attention Deficit Hyperactivity Disorder (ADHD). 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 7, the School has entered into a contract with Summit Academy Management, Inc. (SAM) during the fiscal year, has to employ and facilitate the day-to-day management of the School. Three of the founding members of the School serve on the Board of Directors of SAM. SAM is a legally separate 501(c)3 corporation and the results of SAM's operations are not reflected in these financial statements. SAM also manages the day-to-day activities of Summit Academy Community School for Alternative Learners – Canton, Inc., Summit Academy Community School for Alternative Learners, Inc., Summit Academy Community School for Alternative Learners – Xenia, Inc., Summit Academy Community School for Alternative Learners – Lorain, Inc., Summit Academy Community School for Alternative Learners – Middletown, Inc., Summit Academy Community School for Alternative Learners – Parma, Inc, and Summit Academy Community School for Alternative Learners – Youngstown, Inc. These schools, which also have three common board members, are legally separate corporations and the results of their operations are not included in these financial statements.

The School was approved for operation under a contract with the Ohio Department of Education (Sponsor) for a period of five years commencing with fiscal year ended June 30, 2002. The School operates under a self-appointing Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then-existing trustees. 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 School has one instructional/support facility staffed by 7 non-certified and 7 certified full-time teaching personnel who provide services to 84 students. These individuals are employees of SAM and not of the School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Balance Sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike 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.

**D. Cash**

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

For purposes of the Statement of Cash Flows and for presentation on the Balance Sheet, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**E. Fixed Assets and Depreciation**

The School does not possess any fixed assets. All fixed assets used by the School belong to SAM as further described in Note 7.

**F. Intergovernmental Revenues**

The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School is eligible for \$400,000 to be received over three years in order to offset start-up costs of the School. The School received \$150,000 during fiscal year 2002, for a total of \$250,000 received to date. 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 consist of amounts payable to SAM for unremitted revenues in accordance with the School's management contract which is further described in Note 7.

**H. Use of Estimates**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 - DEPOSITS**

At June 30, 2002, the carrying amount of the School's deposits was \$494, and the bank balance was \$494. All of the bank balance was covered by federal depository insurance.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2002, consisted of intergovernmental (e.g. state and federal grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs and the current year guarantee of federal funds.

**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 5 - PURCHASED SERVICES**

Per the agreement with SAM (see Note 7), 100% of the School's revenue is paid to SAM as a management fee. This amounted to \$974,319 and is broken down as follows:

Salaries	\$ 495,273
Benefits	121,201
Occupancy Costs	80,079
Professional Services	209,089
Travel and Transportation	4,704
Materials and Supplies	63,040
Other	933
Total	<u><u>\$ 974,319</u></u>

**NOTE 6 - START-UP NOTE**

The School was incorporated in January of 2001. The School entered into a contract with its sponsor, the Ohio Department of Education, and received final approval of this contract on June 28, 2001. During the period of incorporation to June 30, 2001, the School received Federal Charter School Grant Program proceeds through the Ohio Department of Education and incurred start-up expenses. These are described in the following table:

Federal Charter School Grant Funds	<u>\$ 100,000</u>
Total revenues	100,000
Management fees	<u>100,000</u>
Total expenses	<u>100,000</u>
Retained Earnings, June 30, 2001	<u><u>\$ -</u></u>

**NOTE 7 - AGREEMENT WITH SUMMIT ACADEMY MANAGEMENT, INC.**

Upon incorporation, the School contracted with Summit Academy Management, Inc. (SAM) to facilitate day-to-day operations of the School. This includes adopting the educational curriculum, providing teaching and, developing and maintaining state-mandated testing and requirements, and completing all required administrative reports. SAM will also purchase and provide all materials for School operations and maintain the School's accounting records.

**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 7 - AGREEMENT WITH SUMMIT ACADEMY MANAGEMENT, INC. (Continued)**

A. SAM's Financial Responsibilities

Per the agreement with SAM, the School shall pay to SAM as a management fee, 100% of revenues received. In turn, SAM is responsible for all costs associated with operating the School. Such costs shall include, but shall not be limited to: salaries and benefits, including payroll taxes; pension and retirement; the purchase of curriculum materials, textbooks, computers and other equipment, software, and supplies; insurance premiums; utilities; janitorial services; legal and financial management services related to the operation of the School; and rent, repairs and maintenance of the School's facility.

B. Personnel

All teaching and administrative personnel are employees of SAM. SAM has the responsibility to select, assign, evaluate, and discharge personnel assigned to the School.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

The School has contracted with SAM to provide teaching and administrative personnel who are employees of SAM. However, the School is still responsible for monitoring and ensuring that pension contributions are made by SAM. The retirement systems consider the School as the Employer-of-Record and the School is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

On behalf of the School, SAM contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established 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 for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14% 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 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2001, 4.2% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to a statutory maximum amount, by the SERS Retirement Board. SAM's required contributions for pension obligations to SERS for the year ended June 30, 2002 was \$12,480.

**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM**

On behalf of the School, SAM also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3% of their annual covered salaries. SAM was required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. SAM's required contributions for pension obligations to STRS for the year ended June 30, 2002 was \$20,328.

**NOTE 9 - POST EMPLOYMENT BENEFITS**

On behalf of the School, SAM provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the State Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For SAM, this amount equaled \$9,629 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 million at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage was made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.



**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 9 - POST EMPLOYMENT BENEFITS (Continued)**

For fiscal year 2002, employer contributions to fund health care benefits were 8.54% of the covered payroll. For fiscal year 2001, 9.8% was used to fund health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and member's pay, pro-rated for partial credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million.

At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For SAM, the amount to fund health care benefits, including surcharge equaled \$20,812 during the 2002 fiscal year.

**NOTE 10 - TRANSACTIONS WITH RELATED PARTIES**

**A. Account Payable**

As of June 30, 2002, the School had a management fee payable to SAM of \$25,132. This payable consists of the intergovernmental receivable to be transferred to SAM to cover expenses incurred by SAM.

**B. 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. During fiscal year 2002, SAM contracted with a commercial insurance company for property and general liability insurance on behalf of the School. Property coverage carries a \$1,000 deductible and has a \$1,342,500 limit. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with a \$1,000 deductible.

**C. Benefits**

SAM has contracted with a private carrier to provide employees within the School medical/surgical benefits. SAM pays 75% of the monthly premium for full-time employees and 50% for part-time employees. The employees are responsible for the remaining amounts. For fiscal year 2002, SAM's and the employees' monthly premiums varied depending on family size and the ages of those covered.

SAM also contributed to the School Employees Retirement System of Ohio (SERS) and the State Teachers Retirement System of Ohio (STRS) for its employees working within the School.

**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 11 - CONTINGENCIES**

**GRANTS** – The School received financial assistance from federal and state agencies in the form of grants, which was paid to SAM. The disbursement of funds received under these programs require 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. 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, 2002.

**LITIGATION** – A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the State Constitution and state laws. The effect of this suit, if any, on the School is not presently determinable.

**NOTE 12 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 13 - TAX EXEMPT STATUS**

The School is in the process of filing for status as an exempt organization under Internal Revenue Code Section 501(c)(3). As of February 13, 2003, the Internal Revenue Service has not yet granted this exemption. Should the School fail to obtain federal tax-exempt status, it will be subject to federal income tax, the effect of which has not been assessed.

**NOTE 14 - SUBSEQUENT EVENT**

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. The review resulted in an overpayment to the School in the amount of \$25,273, and is reflected as deferred revenue. This amount will be repaid through the reduction of future foundation payments.



**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Summit Academy Community School for the Creative Arts, Inc.  
Summit County  
1111 West Market Street  
Akron, Ohio 44313

To the Board of Trustees:

We have audited the financial statements of Summit Academy Community School for the Creative Arts, Inc., Summit County, Ohio, (the School) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 13, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance 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 non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated February 13, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated February 13, 2003.

Summit Academy Community School for the Creative Arts, Inc.  
Summit County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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This report is intended for the information and use of the management and the Board of Trustees, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 13, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**SUMMIT ACADEMY COMMUNITY SCHOOL FOR THE CREATIVE ARTS, INC.**

**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 1, 2003**