

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**SCHNEE LEARNING CENTER  
SUMMIT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
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 .....	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17

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# Mary Taylor, CPA

Auditor of State

## 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 financial statements of the Schnee Learning Center, Summit County, Ohio, (the Center) a component unit of the Cuyahoga Falls City School District, as of and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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, 2008, and the respective changes in financial position and 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 October 29, 2008, on our consideration of the 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

October 29, 2008

**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, 2008  
(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, 2008. 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, 2008 are as follows:

- In total, the net assets were \$131,452 at June 30, 2008.
- The Center had operating revenues of \$1,035,857 and operating expenses of \$1,357,569 for fiscal year 2008. The Center also received \$198,076 in state and federal grants and \$10,577 in other non-operating revenues during fiscal year 2008.

**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 asks the question, "How did we do financially during 2008?" 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 10-14 of this report.

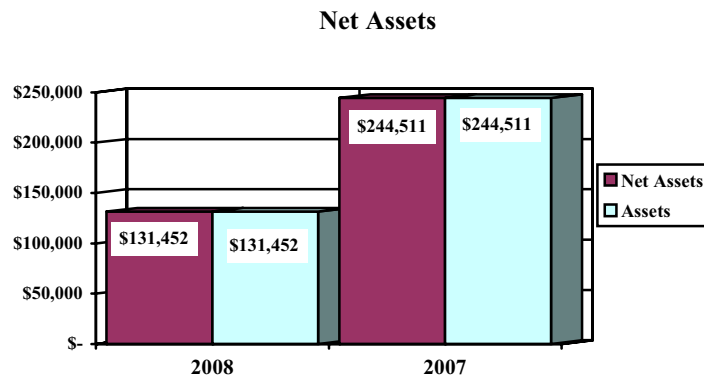
**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2008  
(UNAUDITED)

The table below provides a summary of the Center's net assets for June 30, 2008 and June 30, 2007.

	2008	2007
<b><u>Assets</u></b>		
Current assets	\$ 110,614	\$ 212,562
Capital assets, net	20,838	31,949
Total assets	131,452	244,511
<b><u>Net Assets</u></b>		
Invested in capital assets	20,838	31,949
Restricted	-	54,000
Unrestricted	110,614	158,562
Total net assets	\$ 131,452	\$ 244,511

The chart below illustrates the Center's assets and net assets at June 30, 2008 and June 30, 2007.



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Center's assets exceeded liabilities by \$131,452.

At year-end, capital assets represented 15.85% of total assets. Capital assets consisted of equipment. 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, 2008  
(UNAUDITED)

The table below shows the changes in net assets for the fiscal year ended June 30, 2008 and June 30, 2007.

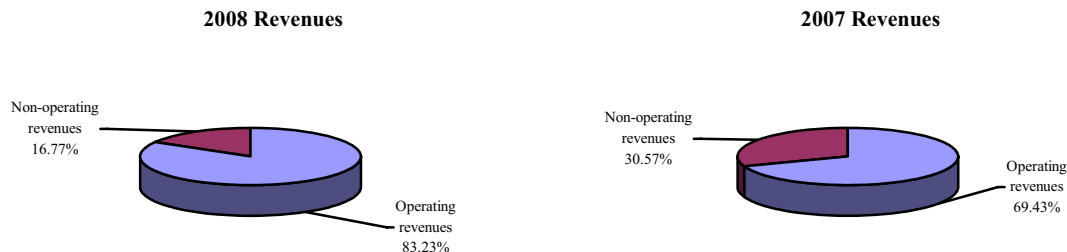
**Change in Net Assets**

	<u>2008</u>	<u>2007</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 1,028,389	\$ 918,521
Fees	7,468	4,420
Total operating revenue	<u>1,035,857</u>	<u>922,941</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	1,278,623	778,741
Materials and supplies	61,317	274,196
Other	6,518	5,049
Depreciation	<u>11,111</u>	<u>8,634</u>
Total operating expenses	<u>1,357,569</u>	<u>1,066,620</u>
<b><u>Non-operating revenues:</u></b>		
Federal and state grants	198,076	394,335
Other non-operating revenue	<u>10,577</u>	<u>11,998</u>
Total non-operating revenues	<u>208,653</u>	<u>406,333</u>
Change in net assets	<u>\$ (113,059)</u>	<u>\$ 262,654</u>

Operating revenues and non-operating revenues of the Center decreased \$84,764 or 6.38%. This decrease can mainly be attributed to a decrease in federal grants received in fiscal year 2008 from the public charter school program.

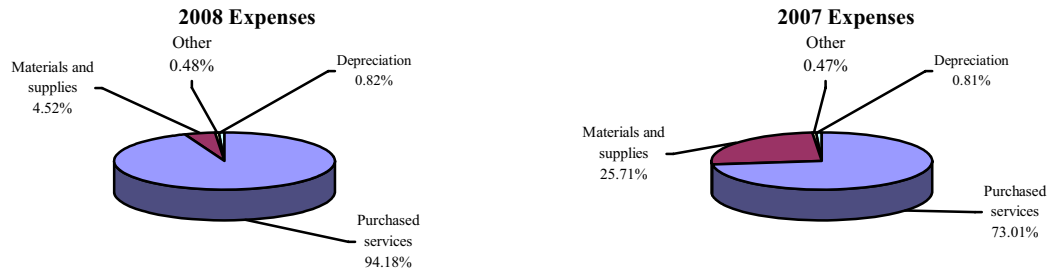
Operating expenses increased \$290,949 or 27.28%. The most significant increase was in the area of purchased services. Purchased services increased \$499,882 or 64.19% due to an increase in contract services with the Summit County ESC.

The charts below illustrate the revenues and expenses for the Center for the fiscal year ended June 30, 2008 and June 30, 2007.



**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, 2008  
(UNAUDITED)



**Capital Assets**

At June 30, 2008, the Center had \$20,838 invested in equipment. 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. Kathryn Sines, Treasurer, Schnee Learning Center, 431 Stow Avenue, Cuyahoga Falls, Ohio 44222-0396.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

<b>Assets:</b>	
Current Assets:	
Cash and cash equivalents . . . . .	\$ 110,145
Prepayments . . . . .	469
Total current assets . . . . .	<u>110,614</u>
Non-Current Assets:	
Capital assets, net. . . . .	<u>20,838</u>
Total assets. . . . .	<u>131,452</u>
<b>Net Assets:</b>	
Invested in capital assets . . . . .	20,838
Unrestricted . . . . .	<u>110,614</u>
Total net assets . . . . .	<u>\$ 131,452</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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 1,028,389
Fees . . . . .	7,468
Total revenues . . . . .	<u>1,035,857</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	1,278,623
Materials and supplies . . . . .	61,317
Other operating expenses . . . . .	6,518
Depreciation . . . . .	11,111
Total expenses . . . . .	<u>1,357,569</u>
Operating loss . . . . .	<u>(321,712)</u>
<b>Non-operating revenues:</b>	
Federal and state grants . . . . .	198,076
Other . . . . .	10,577
Total non-operating revenues . . . . .	<u>208,653</u>
Change in net assets . . . . .	(113,059)
<b>Net assets at beginning of year . . . . .</b>	<u>244,511</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 131,452</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 ENDING JUNE 30, 2008

<b>Cash flows from operating activities:</b>		
Cash received from foundation . . . . .	\$	1,028,389
Cash received from tuition from other school districts . . . . .		7,468
Cash payments for purchased services . . . . .		(1,278,623)
Cash payments for materials and supplies . . . . .		(61,317)
Cash payments for other expenses . . . . .		(6,313)
		<hr/>
Net cash used in operating activities . . . . .		(310,396)
		<hr/>
<b>Cash flows from noncapital financing activities:</b>		
Federal and state grants . . . . .		252,076
Cash received from non-operating revenues . . . . .		10,577
		<hr/>
Net cash provided by noncapital financing activities . . . . .		262,653
		<hr/>
Net decrease in cash and cash equivalents . . . . .		(47,743)
<b>Cash and cash equivalents at beginning of year. . . . .</b>		<b>157,888</b>
<b>Cash and cash equivalents at end of year. . . . .</b>		<b><u><u>110,145</u></u></b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss . . . . .	\$	(321,712)
Adjustments:		
Depreciation. . . . .		11,111
Changes in assets and liabilities:		
Decrease in prepayments . . . . .		205
		<hr/>
Net cash used in operating activities. . . . .	\$	<b><u><u>(310,396)</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**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 new conversion school in Cuyahoga Falls City School District (the "Sponsor") addressing the needs of students in grades 6-12. 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 6 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. 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 166 students during fiscal year 2008.

The Center operates under the direction of a five-member Board of Directors which consists of the Cuyahoga Falls City School District superintendent, Cuyahoga Falls City School District assistant superintendent, an Ivy Park Association Representative, a Cuyahoga Falls city councilman, 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 of Cuyahoga Falls City School District is the Chief Financial Officer of the Center.

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, and the Sponsor is solely responsible for all payroll functions. Payments from the Center to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract for the period July 1, 2007 through June 30, 2008 can be found in Note 5.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Center does not apply FASB Statements or Interpretations 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 \$1,000. The Center does not have any infrastructure. 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.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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.

**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 Center had no restricted net assets at June 30, 2008.

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, Innovative Education Program, Drug Free School grant, Title II-A, Title II-D, Title V, Title IVA, Public Charter School Program and the EMIS 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.

**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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At June 30, 2008, the carrying amount of the Center's deposits was \$110,145. Based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of June 30, 2008, \$25,912 of the Center's bank balance of \$125,912 was exposed to custodial credit risk as described below, while \$100,000 was covered by the Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 Center. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**NOTE 4 - CAPITAL ASSETS**

	<u>Balance at</u> <u>7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/2008</u>
Equipment	\$ 41,972	\$ -	\$ -	\$ 41,972
Less: accumulated depreciation	<u>(10,023)</u>	<u>(11,111)</u>	<u>-</u>	<u>(21,134)</u>
Net capital assets	<u>\$ 31,949</u>	<u>\$ (11,111)</u>	<u>\$ -</u>	<u>\$ 20,838</u>

**NOTE 5 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	\$1,274,809
Travel and meetings	3,579
Miscellaneous	<u>235</u>
Total	<u>\$1,278,623</u>

**NOTE 6 - 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 7 - CONTINGENCIES**

**A. Grants**

The Center received financial assistance from state agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2008.

**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. The Center anticipates no adjustments to state funding for fiscal year 2009, as a result of the reviews which have yet to be completed.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

For the fiscal year ended June 30, 2008, the Center had expenses of \$1,022,083 to their sponsor.

**NOTE 9 - ACCOUNTABILITY & COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2008, the Center has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Center.

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# Mary Taylor, CPA

Auditor of State

## 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, (the Center) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. 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 Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Center's management in a separate letter dated October 29, 2008.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 intend this report solely for the information and use of management, the Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 29, 2008



**Mary Taylor, CPA**  
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  
DECEMBER 2, 2008**