



OHIO AUDITOR OF STATE
KEITH FABER



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

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Greater Summit County Early Learning Center
Summit County
1651 Massillon Road
Akron, Ohio 44312

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Summit County Early Learning Center, Summit County, Ohio (the School), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 such 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 the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Greater Summit County Early Learning Center, Summit County, Ohio, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 of the Notes to the Financial Statements, during 2017, the School changed its basis of accounting from cash basis to accrual basis. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

May 19, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The management's discussion and analysis of the Greater Summit County Early Learning Center's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position was \$961,858 at June 30, 2018.
- The School had operating revenues of \$1,064,657, operating expenses of \$1,302,023, and nonoperating revenues of \$164,253, for fiscal year 2018. The total change in net position for the fiscal year was a decrease of \$73,113.

Using the Basic Financial Statements

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did the School do financially during fiscal year 2018?" 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School 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 provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

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 11-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNDAUDITED)

The table below provides a summary of the School's net position at June 30, 2018 and June 30, 2017.

Net Position

	2018	2017
<u>Assets</u>		
Current assets	\$ 956,984	\$ 1,032,218
Non-current assets	5,000	5,000
Total assets	961,984	1,037,218
<u>Liabilities</u>		
Current liabilities	126	2,247
Total liabilities	126	2,247
<u>Net Position</u>		
Restricted	926	-
Unrestricted	960,932	1,034,971
Total net position	\$ 961,858	\$ 1,034,971

Current assets at June 30, 2018, represent cash received from federal grants and the Ohio Department of Education (ODE) for the full-time equivalent enrollment reviews (see Note 11.B of the notes to the basic financial statements for detail). The non-current assets at June 30, 2018 and June 30, 2017, represents the security deposit the School made for the operating lease for classroom space that was effective August 1, 2017 (see Note 10 of the notes to the basic financial statements for detail).

Current liabilities represent accounts payable due to the School's Sponsor (see Notes 8 and 11.B of the notes to the basic financial statements for detail).

Over time, net position can serve as a useful indicator of a School's financial position. At June 30, 2018, the School's net position totaled \$961,858. The School had \$926 in restricted net position at June 30, 2018 as a result of funding from federal and other local grants.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNDAUDITED)

The table below shows the changes in net position for fiscal year 2018 and fiscal year 2017.

Change in Net Position

	2018	2017
<u>Operating Revenues:</u>		
State foundation	\$ 1,057,357	\$ 973,086
Classroom fees	7,300	1,632
Total operating revenues	1,064,657	974,718
<u>Operating Expenses:</u>		
Purchased services	1,250,928	1,238,839
Materials and supplies	46,702	30,637
Other	4,393	8,047
Total operating expenses	1,302,023	1,277,523
<u>Nonoperating Revenues:</u>		
State, Federal and other grants	157,310	63,256
Interest revenue	2,733	-
Contributions and donations	4,210	3,925
Total nonoperating revenues	164,253	67,181
Change in net position	(73,113)	(235,624)
Net position at beginning of year	1,034,971	1,270,595
Net position at end of year	\$ 961,858	\$ 1,034,971

The School relies on State foundation revenues for operations, with 86.04 and 93.40 percent of total revenues coming from State foundation for fiscal year 2018 and 2017, respectively. State and Federal grants include monies received during fiscal year 2018 from the Title II-A, IDEA Part B, Title IV-A and Title I-A programs. The School also receives private grant funding through the GAR Foundation. The School contracts with the North Central Ohio Educational Service Center and other contractors for instructional, administrative and technical services.

Current Financial Related Activities

The School is sponsored by the ODE Office of School Sponsorship. The School is reliant upon State foundation monies, private grants, and State and Federal grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State, Federal and private grant funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rick Berdine, Fiscal Officer, Greater Summit County Early Learning Center, 1651 Massillon Road, Akron, Ohio 44312.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Current assets:	
Cash	\$ 941,362
Receivables:	
Intergovernmental.	4,878
Prepayments	10,744
Total current assets	<u>956,984</u>
Non-current assets:	
Security deposit	<u>5,000</u>
Total assets	<u>961,984</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	<u>126</u>
Total liabilities	<u>126</u>
 Net position:	
Restricted for:	
Restricted for locally funded programs . . .	258
Federally funded programs	668
Unrestricted.	<u>960,932</u>
Total net position.	<u>\$ 961,858</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
State foundation.	\$ 1,057,357
Classroom fees	7,300
Total operating revenues.	<u>1,064,657</u>
 Operating expenses:	
Purchased services.	1,250,928
Materials and supplies	46,702
Other.	4,393
Total operating expenses	<u>1,302,023</u>
 Operating loss	 <u>(237,366)</u>
 Non-operating revenues:	
State, Federal and other grants.	157,310
Interest revenue	2,733
Contributions and donations	4,210
Total non-operating revenues.	<u>164,253</u>
 Change in net position	 (73,113)
 Net position at beginning of year	 <u>1,034,971</u>
Net position at end of year	<u><u>\$ 961,858</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from state foundation	\$ 1,050,900
Cash received from classroom fees	7,300
Cash payments for purchased services	(1,261,672)
Cash payments for materials and supplies	(46,576)
Cash payments for other expenses	<u>(4,393)</u>
Net cash used in operating activities	<u>(254,441)</u>
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	156,642
Cash received from contributions and donations	<u>4,210</u>
Net cash provided by noncapital financing activities	<u>160,852</u>
Cash flows from investing activities:	
Interest received	<u>2,733</u>
Net cash provided by investing activities	<u>2,733</u>
Net decrease in cash	(90,856)
Cash at beginning of year	<u>1,032,218</u>
Cash at end of year	<u><u>\$ 941,362</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (237,366)
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(4,210)
(Increase) in prepayments	(10,744)
(Decrease) in intergovernmental payable	<u>(2,247)</u>
Net cash used in operating activities	<u><u>\$ (254,441)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Greater Summit County Early Learning Center (the “School”; doing business as Scope Academy) is a tax exempt, nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 as a community school. The School was created as a conversion type community school, 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 School signed a contract with the Summit County ESC, to operate for a period from July 1, 2011 through June 30, 2013 as well as July 1, 2013 through June 30, 2015. The sponsorship contract was also renewed for a one-year period from July 1, 2015 through June 30, 2016 and for July 1, 2016 through June 30, 2017. On December 1, 2016, the Ohio Department of Education (ODE) Office of School Sponsorship assumed sponsorship of the School and on December 14, 2016, the Office of School Sponsorship Oversight Committee voted to approve the renewal of the School’s agreement for a term of two years. The School entered into a sponsorship agreement with the ODE Office of School Sponsorship for a two-year period effective July 1, 2017 through June 30, 2019.

The School operates under a self-appointing, five-member Board of Directors (the “Board”). The School’s Bylaws & Policies specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel employed by the School’s fiscal agent, the North Central Ohio ESC, and other contract employees (see Note 9 for detail), who provide services to 138 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School 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 School’s significant accounting policies are described below.

A. Basis of Presentation

The School’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

B. Measurement Focus

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, and liabilities are included on the statement of net position. The difference between total assets and liabilities is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The School's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

Expenses are recognized at the time that they are incurred.

D. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract.

E. Deposits and Investments

Cash received by the School is reflected as "cash" on the statement of net position. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. The School did not have any investments during fiscal year 2018.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School has established a capitalization threshold of \$5,000. The School does not have any infrastructure. 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.

The School had no capital assets over the threshold to report at June 30, 2018.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. 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 position 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.

I. Intergovernmental Revenues

The School currently participates in the State Foundation, Opportunity Grant, Special Education, Targeted Assistance, Limited English Proficiency, K-3 Literacy, Third Grade Reading Bonus, Facilities, and Economic Disadvantaged Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the fiscal 2018 school year totaled \$1,057,357.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. The School currently participates in the Title II-A, IDEA Part B, Title IV-A and Title I-A programs. Federal, State, and private grant revenue received during fiscal year 2018 was \$157,310.

J. Accrued Liabilities and Long-Term Obligations

The School has recognized certain expenses due, but unpaid as of June 30, 2018. These expenses are reported as accrued liabilities in the accompanying financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

K. Operating Revenues and Expenses

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

L. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2018, the School has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 81, "Irrevocable Split-Interest Agreements", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 had no effect on the School's financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS

At June 30, 2018, the carrying amount of all School deposits was \$941,362. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$691,703 of the School's bank balance of \$941,703 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

The School had no investments outstanding at June 30, 2018.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental receivables (e.g. federal grants and entitlements and amounts due from ODE). All receivables are considered collectible in full.

NOTE 6 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; and natural disasters. The School has obtained commercial insurance from Liberty Mutual Insurance for the following risks:

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

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

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services	\$ 1,118,877
Property services and rent	63,520
Training	12,319
Utilities	22,343
Contracted trade services	2,043
Pupil transportation	810
Sponsor fees	<u>31,016</u>
Total	<u>\$ 1,250,928</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - SPONSOR FEES

The Agreement between the School and the ODE Office of School Sponsorship allows for sponsor fee payments not to exceed 3% of the total amount of payments from the State for operating expenses in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract.

During fiscal year 2018, the School paid \$31,016 to the Sponsor for these fees, including \$126 in accounts payable at June 30, 2018 for a portion of an intergovernmental receivable (amount due from ODE) to be transferred to the Sponsor, in accordance with the sponsorship contract. See Note 11.B for detail.

NOTE 9 - CONTRACTS

Fiscal Agent and Personnel

The School entered into an agreement effective July 1, 2017 through June 30, 2018, with the North Central Ohio ESC to serve as the School's fiscal agent and to provide planning, instructional, administrative, and technical services. Personnel providing services to the School on the purchased services basis are employees the North Central Ohio ESC and other contract employees.

NOTE 10 - OPERATING LEASE AGREEMENTS

On April 11, 2017, the School entered into a five-year operating lease agreement effective August 1, 2017 through July 31, 2022, with the Summit County Developmental Disabilities Board for classroom space. The monthly rent of \$3,333 is due in advance on the first day of each calendar month. The School made a \$5,000 security deposit during fiscal year 2017 in accordance with the lease agreement. Either party may terminate the lease for any reason upon 180 days written notice to the other party.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 40,000
2020	40,000
2021	40,000
2022	40,000
2023	3,333

NOTE 11 - CONTINGENCIES

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 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 School at June 30, 2018.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - CONTINGENCIES - (Continued)

B. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The ODE is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2018.

As a result of the fiscal year 2018 reviews to date, the School is due \$4,210 from ODE. This amount has been recorded as an intergovernmental receivable at June 30, 2018.

In addition, the School's contract with the Sponsor requires payment based on revenues received from the State. As a result of the fiscal year 2018 reviews, the School has recorded accounts payable in the amount of \$126 at June 30, 2018.

C. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 12 - NET PENSION LIABILITY

The School contracts with Renhill Group for substitute teachers. As a result, the School incurred a small pension liability. Management believes the impact on the liability adjustment does not have a material impact on the School's financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management's discussion and analysis of the Greater Summit County Early Learning Center's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

The Management's Discussion and Analysis (the "MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments". Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of accrual basis financial reporting for the School, comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position was \$1,034,971 at June 30, 2017.
- The School had operating revenues of \$974,718, operating expenses of \$1,277,523, and nonoperating revenues of \$67,181, for fiscal year 2017. The total change in net position for the fiscal year was a decrease of \$235,624.

Using the Basic Financial Statements

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did the School do financially during fiscal year 2017?" 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School 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 23 and 24 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 25 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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 25-31 of this report.

Net position at June 30, 2016 was restated, as the School began reporting on the accrual basis of accounting during fiscal year 2017 (see Note 3 of the notes to the basic financial statements for detail). The table below provides a summary of the School's net position at June 30, 2017 and June 30, 2016.

Net Position		
	<u>2017</u>	<u>(Restated) 2016</u>
<u>Assets</u>		
Current assets	\$ 1,032,218	\$ 1,271,082
Non-current assets	<u>5,000</u>	<u>-</u>
Total assets	<u>1,037,218</u>	<u>1,271,082</u>
<u>Liabilities</u>		
Current liabilities	<u>2,247</u>	<u>487</u>
Total liabilities	<u>2,247</u>	<u>487</u>
<u>Net Position</u>		
Unrestricted	<u>1,034,971</u>	<u>1,270,595</u>
Total net position	<u>\$ 1,034,971</u>	<u>\$ 1,270,595</u>

At June 30, 2017, current assets decreased \$238,864 due to a prepayment that was reported at June 30, 2016, for a payment made to the Summit County Educational Service Center (ESC) for July services that were paid in June. The non-current assets at June 30, 2017, represents the security deposit the School made for the new operating lease for classroom space that is effective August 1, 2017 (see Note 9 of the notes to the basic financial statements for detail).

Current liabilities represent intergovernmental payables due to the Ohio Department of Education for the full-time equivalent enrollment reviews (see Note 10.B of the notes to the basic financial statements for detail).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's net position totaled \$1,034,971.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2017. Since this is the School's first year of reporting on the accrual basis, comparative information is not available.

Change in Net Position

	2017
<u>Operating Revenues:</u>	
State foundation	\$ 973,086
Classroom fees	1,632
Total operating revenues	974,718
<u>Operating Expenses:</u>	
Purchased services	1,238,839
Materials and supplies	30,637
Other	8,047
Total operating expenses	1,277,523
<u>Nonoperating Revenues:</u>	
State and Federal grants	63,256
Contributions and donations	3,925
Total nonoperating revenues	67,181
Change in net position	(235,624)
Net position at beginning of year (restated)	1,270,595
Net position at end of year	\$ 1,034,971

The School relies on State foundation revenues for operations, with 93.40 percent of total revenues coming from State foundation for fiscal year 2017. State and Federal grants include monies received during fiscal year 2017 from the Title II-A, IDEA Part B and Title I programs. The School contracts with the North Central Ohio ESC and other contractors for instructional, administrative and technical services.

Current Financial Related Activities

The School is sponsored by the ODE Office of School Sponsorship. The School is reliant upon State foundation monies and State and Federal grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State, Federal and private grant funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rick Berdine, Fiscal Officer, Greater Summit County Early Learning Center, 2141 Pickle Road, Akron, Ohio 44312.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:	
Current assets:	
Cash	\$ 1,032,218
Non-current assets:	
Security deposit.	<u>5,000</u>
Total assets.	<u>1,037,218</u>
Liabilities:	
Current liabilities:	
Intergovernmental payable	<u>2,247</u>
Total liabilities	<u>2,247</u>
Net position:	
Unrestricted.	<u>1,034,971</u>
Total net position.	<u>\$ 1,034,971</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:	
State foundation	\$ 973,086
Classroom fees	1,632
Total operating revenues	<u>974,718</u>
 Operating expenses:	
Purchased services	1,238,839
Materials and supplies	30,637
Other	8,047
Total operating expenses	<u>1,277,523</u>
 Operating loss	 <u>(302,805)</u>
 Non-operating revenues:	
State and Federal grants	63,256
Contributions and donations	3,925
Total non-operating revenues	<u>67,181</u>
 Change in net position	 (235,624)
 Net position at beginning of year (restated) .	 <u>1,270,595</u>
Net position at end of year	<u>\$ 1,034,971</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from state foundation.	\$ 974,917
Cash received from classroom fees.	1,632
Cash payments for purchased services.	(937,552)
Cash payments for materials and supplies.	(30,637)
Cash payments for other expenses.	<u>(8,047)</u>
Net cash provided by operating activities	<u>313</u>
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	69,771
Cash received from contributions and donations.	<u>3,925</u>
Net cash provided by noncapital financing activities.	<u>73,696</u>
Net increase in cash	74,009
Cash at beginning of year	958,209
Cash at end of year	<u><u>\$ 1,032,218</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (302,805)
Changes in assets and liabilities:	
(Increase) in security deposit.	(5,000)
Decrease in intergovernmental receivable.	71
Decrease in prepayments.	306,287
Increase in intergovernmental payable.	<u>1,760</u>
Net cash provided by operating activities	<u><u>\$ 313</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Greater Summit County Early Learning Center (the “School”; doing business as Scope Academy) is a tax exempt, nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 as a community school. The School was created as a conversion type community school, 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 School signed a contract with the Summit County ESC, to operate for a period from July 1, 2011 through June 30, 2013 as well as July 1, 2013 through June 30, 2015. The sponsorship contract was also renewed for a one-year period from July 1, 2015 through June 30, 2016 and for July 1, 2016 through June 30, 2017. On December 1, 2016, the Ohio Department of Education (ODE) Office of School Sponsorship assumed sponsorship of the School and on December 14, 2016, the Office of School Sponsorship Oversight Committee voted to approve the renewal of the School’s agreement for a term of two years. The School entered into a sponsorship agreement with the ODE Office of School Sponsorship for a two-year period effective July 1, 2017 through June 30, 2019.

The School operates under a self-appointing, five-member Board of Directors (the “Board”). The School’s Bylaws & Policies specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel employed by the School’s fiscal agent, the North Central Ohio ESC, and other contract employees (see Note 8 for detail), who provide services to 130 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School 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 School’s significant accounting policies are described below.

A. Basis of Presentation

The School’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

B. Measurement Focus

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, and liabilities are included on the statement of net position. The difference between total assets and liabilities is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The School's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

Expenses are recognized at the time that they are incurred.

D. 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.

E. Deposits and Investments

Cash received by the School is reflected as "cash" on the statement of net position. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. The School did not have any investments during fiscal year 2017.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School has established a capitalization threshold of \$5,000. The School does not have any infrastructure. 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.

The School had no capital assets over the threshold to report at June 30, 2017.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. 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 position 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. The School had no prepayments to report at June 30, 2017.

I. Intergovernmental Revenues

The School currently participates in the State Foundation, Special Education, Targeted Assistance, K-3 Literacy, Facilities, and Economic Disadvantaged Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the fiscal 2017 school year totaled \$973,086.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. The School currently participates in the Title II-A, IDEA Part B and Title I programs. Federal and State grant revenue received during fiscal year 2017 was \$63,256.

J. Accrued Liabilities and Long-Term Obligations

The School has recognized certain expenses due, but unpaid as of June 30, 2017. These expenses are reported as accrued liabilities in the accompanying financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

K. Operating Revenues and Expenses

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

L. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

Restatement of Fund Cash Balance/Net Position

During fiscal year 2017, the School changed from the cash basis of accounting to the accrual basis of accounting. The cash fund balances at June 30, 2016 have been restated to account for the change in accounting principle.

The transition from the cash-basis of accounting to the accrual basis of accounting had the following effect on fund balances at June 30, 2016:

Cash fund balance at June 30, 2016	\$ 958,209
Change in reporting basis - accrual adjustments:	
Intergovernmental receivables	6,586
Prepayments	306,287
Intergovernmental payables	<u>(487)</u>
Net position at July 1, 2016, restated	<u>\$ 1,270,595</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2017, the carrying amount of all School deposits was \$1,032,218. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$782,863 of the School's bank balance of \$1,032,863 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The School had no investments outstanding at June 30, 2017.

NOTE 5 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; and natural disasters. The School has obtained commercial insurance from Liberty Mutual Insurance for the following risks:

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

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

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2017, purchased services expenses were as follows:

Professional and technical services	\$ 830,173
Property services and rent	356,944
Training	25,154
Contracted trade services	252
Pupil transportation	1,776
Sponsor fees	<u>24,540</u>
Total	<u>\$ 1,238,839</u>

NOTE 7 - SPONSOR FEES

The Agreement between the School and the Summit County ESC and the ODE Office of School Sponsorship allows for sponsor fee payments not to exceed 3% of the total amount of payments from the State for operating expenses in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract. During fiscal year 2017, the School paid \$24,540 to the Sponsor for these fees.

NOTE 8 - CONTRACTS

Fiscal Agent and Personnel

The School entered into an agreement effective July 1, 2016 through June 30, 2017, with the North Central Ohio ESC to serve as the School's fiscal agent and to provide planning, instructional, administrative, and technical services. Personnel providing services to the School on the purchased services basis are employees the North Central Ohio ESC and other contract employees.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - OPERATING LEASE AGREEMENTS

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 could 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 lease was terminated effective June 30, 2017. Lease payments totaled \$24,597 during fiscal year 2017.

On April 11, 2017, the School entered into a five-year operating lease agreement effective August 1, 2017 through July 31, 2022, with the Summit County Developmental Disabilities Board for classroom space. The monthly rent of \$3,333 is due in advance on the first day of each calendar month. The School made a \$5,000 security deposit during fiscal year 2017 in accordance with the lease agreement. Either party may terminate the lease for any reason upon 180 days written notice to the other party.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 36,663
2019	40,000
2020	40,000
2022	40,000
2023	3,333

NOTE 10 - CONTINGENCIES

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 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 School at June 30, 2017.

B. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The ODE is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - CONTINGENCIES - (Continued)

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's sponsorship contracts with the Summit County ESC and the ODE Office of School Sponsorship require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

C. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 11 - NET PENSION LIABILITY

The School contracts with Renhill Group for substitute teachers. As a result, the School incurred a small pension liability. Management believes the impact on the liability adjustment does not have a material impact on the School's financial statements.

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OHIO AUDITOR OF STATE KEITH FABER



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
1651 Massillon Road
Akron, Ohio 44312

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Greater Summit County Early Learning Center, Summit County, (the School) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 19, 2019, wherein we noted the School changed its basis of accounting from cash basis to accrual basis.

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 opinions 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

May 19, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 6, 2019**