



**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2010



Dave Yost • Auditor of State

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Summit Academy Transition High School - Cincinnati
Hamilton County
5800 Salvia Ave
Cincinnati, Ohio 45224

To the Board of Directors:

We have audited the accompanying basic financial statements of the Summit Academy Transition High School - Cincinnati, Hamilton County, Ohio, (the School), as of and for the years ended June 30, 2010 and 2009, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the actual direct and indirect expenses incurred by Summit Academy Management on behalf of the School, which total \$827,901 and \$723,018 for 2010 and 2009, respectively, as indicated in Note 14. Other auditors audited those amounts. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Note 14, on the report of the other auditors.

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. The other auditors audited Note 14 in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Summit Academy Transition High School - Cincinnati, Hamilton County, Ohio, as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2011, 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 for the year ended June 30, 2010. We previously issued our report dated February 26, 2010, 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 for the year ended June 30, 2009. While we did not opine on the internal control over financial reporting or on compliance, these reports describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read them in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the Table of Contents, 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

February 4, 2011

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

As management of Summit Academy Transition High School – Cincinnati (the School), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights

By agreement with its management company, Summit Academy Management, 100% of all revenue is passed through to the management company in order to manage the affairs of the School. In this regard, a cash management system is utilized in which all School cash was 'swept' into the bank account of the management company. As a result, the School has no cash on June 30, 2010 and 2009.

The School also has no net assets (the difference between its assets and liabilities) as of June 30, 2010 and 2009.

The School has intergovernmental receivables of \$33,029 for Medicaid and federal and state grants earned in 2010, but not received until after June 30, 2010. At the same time, the financial statements show a management fee payable to the management company of the same amount, reflecting the 100% pass-through of revenue to the management company.

The School has a non-current federal start-up payable of \$123,000 reflecting money due to be refunded to the Ohio Department of Education. At the same time, the financial statements show a management fee receivable from the management company for the same amount.

Overview of the Financial Statements

The financial statements presented by the School are the Balance Sheet, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The *Balance Sheet* presents information on all the School's assets and liabilities, with the difference being the net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating. However, given the School's management agreement with the management company, which calls for 100% of all receipts to be paid to the management company, the School's net assets balance is not expected to change significantly in the near future.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the School's net assets changed during the year. This statement summarizes operating revenues and expenses, along with non-operating revenues and expenses.

The *Statement of Cash Flows* allows financial statement users to assess the School's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories (as applicable): 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Finally, it should be noted that the School utilizes the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies in that it recognizes revenues and expenses when earned regardless of when cash is received or paid.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Financial Analysis

The following tables indicate our financial analysis of the School:

Table 1 - Balance Sheets

	6/30/2010	6/30/2009	Amount of Change	Percent of Change	6/30/2008
Assets					
Cash	\$ -	\$ -	-	0.0%	\$ -
Intergovernmental receivables	33,029	35,176	(2,147)	-6.1%	32,121
Management fee receivable	123,000	123,000	-	0.0%	-
Total assets	<u>\$ 156,029</u>	<u>\$ 158,176</u>	<u>(2,147)</u>	-1.4%	<u>\$ 32,121</u>
Current Liabilities					
Management fee payable	\$ 33,029	\$ 35,176	(2,147)	-6.1%	\$ 32,121
Federal start-up payable	-	15,375	(15,375)	-100.0%	-
	33,029	50,551	(17,522)	-34.7%	
Non-current Liabilities					
Federal start-up payable	123,000	107,625	15,375	14.3%	-
Net Assets					
Unrestricted	-	-	-	0.0%	-
Liabilities and net assets	<u>\$ 156,029</u>	<u>\$ 158,176</u>	<u>(2,147)</u>	-1.4%	<u>\$ 32,121</u>

Table 2 - Statements of Revenues, Expenses, and Changes in Net Assets

	6/30/2010	6/30/2009	Amount of Change	Percent of Change	6/30/2008
Operating revenues	\$ 765,985	\$ 645,596	120,389	18.6%	\$ 428,018
Operating expenses	902,413	696,591	205,822	29.5%	618,139
Operating loss	(136,428)	(50,995)	(85,433)	167.5%	(190,121)
Non-operating revenues	136,428	173,995	(37,567)	-21.6%	190,121
Non-operating expenses	-	(123,000)	123,000	-100.0%	-
Net non-operating revenues (expenses)	<u>136,428</u>	<u>50,995</u>	<u>85,433</u>	167.5%	<u>190,121</u>
Net income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%	<u>\$ -</u>

On the Balance Sheet, intergovernmental receivables decreased by \$2,147 or 6.1% because less state and federal grants were owed to the School at June 30, 2010. The management fee payable to the management company decreased by the same amount and percentage.

The total current and non-current federal start-up payable and the management fee receivable remained unchanged at \$123,000 because the Ohio Department of Education has not started to recoup these funds from the School.

With respect to the Statement of Revenues, Expenses, and Changes in Net Assets, operating revenues increased by \$120,389 or 18.6% due to an increase in state foundation revenues resulting from an increase in enrollment. Operating expenses increased by \$205,822 or 29.5% due to the overall increase in revenues for the School.

Net non-operating revenues/expenses increased by \$85,433 or 167.5% as a net result of less state and federal grant funding for 2010 and no refund of federal start-up money was required in fiscal year 2010.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

**BALANCE SHEETS
AS OF JUNE 30, 2010 AND 2009**

	2010	2009
ASSETS		
Current assets		
Cash	\$ -	\$ -
Management fee receivable	123,000	123,000
Intergovernmental receivables	33,029	35,176
Total current assets	\$ 156,029	\$ 158,176
LIABILITIES AND NET ASSETS		
Current liabilities		
Federal Start-Up payable	\$ -	\$ 15,375
Management fee payable	33,029	35,176
Total current liabilities	33,029	50,551
Non-current liabilities		
Federal Start-Up payable	123,000	107,625
Total liabilities	156,029	158,176
Net Assets		
Unrestricted	-	-
Total liabilities and net assets	\$ 156,029	\$ 158,176

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

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues		
Materials and fees	\$ 5,434	\$ 1,816
Food service	2,920	3,264
Medicaid	5,615	-
State foundation	750,580	640,516
Other operating revenues	<u>1,436</u>	<u>-</u>
Total operating revenues	765,985	645,596
 Operating expenses		
Purchased services	<u>902,413</u>	<u>696,591</u>
 Operating loss	(136,428)	(50,995)
 Non-operating revenues (expenses)		
State and Federal grants	136,428	173,995
Refund of prior year federal start-up grant	<u>-</u>	<u>(123,000)</u>
Total non-operating revenues (expenses)	<u>136,428</u>	<u>50,995</u>
 Net income (loss)	-	-
 Net assets at beginning of year	<u>-</u>	<u>-</u>
 Net assets at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
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**STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009**

	2010	2009
Increase (decrease) in cash		
Cash flows from operating activities:		
Cash received from other operating sources	\$ 9,790	\$ 5,080
Cash from Medicaid	4,589	-
Cash from the State of Ohio	750,580	640,516
Cash payments to management company	<u>(904,560)</u>	<u>(816,536)</u>
Net cash used for operating activities	(139,601)	(170,940)
Cash flows from noncapital financing activities:		
State and Federal grants	<u>139,601</u>	<u>170,940</u>
Net decrease in cash	-	-
Cash at beginning of year	<u>-</u>	<u>-</u>
Cash at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (136,428)	\$ (50,995)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Change in assets and liabilities:		
(Increase) decrease in assets:		
Medicaid receivables	(1,026)	-
Management fee receivable	-	(123,000)
Increase (decrease) in liabilities:		
Management fee payable	<u>(2,147)</u>	<u>3,055</u>
Total adjustments	<u>(3,173)</u>	<u>(119,945)</u>
Net cash used for operating activities	<u><u>\$ (139,601)</u></u>	<u><u>\$ (170,940)</u></u>

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

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**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Summit Academy Transition High School - Cincinnati, located in Hamilton County (the School), is a state nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School provides educational, literary, scientific, and related teaching services for "at-risk" children with the symptoms of Attention Deficit Hyperactivity Disorder (ADHD) and Asperger's Syndrome. The School, which is part of the State's education program, is independent of any public school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

As further described in Note 5 to the financial statements, the School has contracted with Summit Academy Management, Inc. (SAM) to employ and facilitate the day-to-day management of the School. SAM is a legally separate nonprofit corporation, the results of which are not reflected in these financial statements.

The governing boards of SAM and the School have completely different members, and all members of the School Board are independent of SAM. In addition, 3 board members of SAM are elected by the majority vote of the affiliated school boards.

SAM also provides management services to the following 25 legally separate community schools whose results of operations are not included herein:

- Summit Academy Akron Elementary School
- Summit Academy Akron Middle School
- Summit Academy Secondary School – Akron
- Summit Academy Community School for Alternative Learners – Canton
- Summit Academy Secondary School – Canton
- Summit Academy Community School – Cincinnati
- Summit Academy Community School – Columbus
- Summit Academy Middle School – Columbus
- Summit Academy Transition High School – Columbus
- Summit Academy Community School – Dayton
- Summit Academy Transition High School – Dayton
- Summit Academy Community School for Alternative Learners – Lorain
- Summit Academy Middle School – Lorain
- Summit Academy Secondary School – Lorain
- Summit Academy Community School for Alternative Learners – Middletown
- Summit Academy Secondary School – Middletown
- Summit Academy Community School - Painesville
- Summit Academy Community School – Parma
- Summit Academy Community School – Toledo
- Summit Academy Secondary School – Toledo
- Summit Academy Community School – Warren
- Summit Academy School for Alternative Learners - Warren Middle and Secondary
- Summit Academy Community School for Alternative Learners – Xenia
- Summit Academy – Youngstown
- Summit Academy Secondary School – Youngstown

The School has been approved for operation under a two year contract effective July 1, 2007 through June 30, 2011 with Kids Count of Dayton, Inc. (the Sponsor). The contract renews for additional one-year terms from July 1 to June 30, unless the Sponsor has given written notice of termination at least 90 days prior to the expiration date.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL – CINCINNATI
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY (continued)

The School operates under a self-appointing Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board are 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. These include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB statements or interpretations issued after November 30, 1989. The more significant of the School's 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, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are generally not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor, Kids Count of Dayton, Inc., requires a detailed budget in the form of a five-year forecast, as described in Ohio Revised Code Section 5705.391.

D. Cash

The School's revenues are received into a demand deposit account, and then are swept into an account of the management company in accordance with the management agreement discussed in Note 5.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

The School does not possess any capital assets. All capital assets used by the School belong to SAM as further described in Note 5.

F. Intergovernmental Revenues

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

The School also participates in various federal and state grant programs through the Ohio Department of Education. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

G. Accrued Liabilities

Accrued liabilities include amounts payable to SAM for various intergovernmental (grant) receivables, in accordance with the School's management contract as further described in Note 5, and amounts payable to the Ohio Department of Education for federal start-up funds required to be returned as further discussed in Note 11.

H. Use of Estimates

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

NOTE 3 - DEPOSITS

At June 30, 2010 and 2009, the carrying amount of the School's deposits was \$0, and the bank balance was \$0.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2010 and 2009 consisted of intergovernmental (e.g. Medicaid, state, and federal grants) and management fee receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of these programs, and the current year guarantee of federal funds. The management fee receivable is also considered fully collectible.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL – CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

NOTE 5 – AGREEMENT WITH SUMMIT ACADEMY MANAGEMENT

The School has contracted with Summit Academy Management (SAM) to facilitate the day-to-day operations of the School. Per the agreement, the School pays SAM, as a management fee, 100 percent of revenues received. In turn, SAM is responsible for all costs and decisions associated with operating the School. Such costs and decision areas include, but are not limited to: personnel (all teaching and administrative personnel are employees of SAM); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, and legal and financial management services. SAM is also responsible for maintenance of the School's facility. See Note 14 for the amount of actual direct and indirect expenses incurred by SAM on behalf of the School.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

The School has contracted with SAM to provide all teaching and administrative personnel. Such personnel are employees of SAM; however, the School is responsible for monitoring and ensuring that SAM makes pension contributions on its behalf. The retirement systems consider the School as the "Employer of Record", therefore the School is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. School Employees Retirement System

On behalf of the School, SAM contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The School's contributions to SERS for the years ended June 30, 2010, 2009, and for the period September 28, 2007 through June 30, 2008 were \$12,343, \$19,684, and \$4,770, respectively, which equaled the required contributions for each year.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL – CINCINNATI
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

On behalf of the School, SAM also contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DC portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and for the period September 28, 2007 through June 30, 2008 were \$35,416, \$21,597, and \$8,775, respectively; 76.3 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$0 made by the School and \$0 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, no members of the Board of Directors have elected Social Security. The contribution rate is 6.2 percent of wages.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL – CINCINNATI
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

On behalf of the School, SAM participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Medicare Part B Plan and a Health Care Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employee contribution of 14 percent of cover payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the school paid \$1,763 in surcharges.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of years of service, Medicare eligibility and retirement status.

On behalf of the school, SAM's contributions for health care for the fiscal years ended June 30, 2010, 2009, and for the period September 28, 2007 through June 30, 2008 were \$1,076, \$5,849, and \$2,177, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and the period September 28, 2007 through June 30, 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The school's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and for the period September 28, 2007 through June 30, 2008 were \$670, \$1,055, and \$344, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

On behalf of the School, SAM contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and for the period September 28, 2007 through June 30, 2008 were \$2,530, \$1,543, and \$675, respectively; 76.3 percent has been contributed for fiscal year 2010, and 100 percent has been contributed for fiscal year 2009 and for the period September 28, 2007 through June 30, 2008.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL – CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

NOTE 8 – OTHER BENEFITS

SAM has contracted with a private carrier to provide employees within the School medical/surgical benefits. SAM pays a portion of the monthly premium for full-time employees and for part-time employees depending on the employee's status. The employees are responsible for the remaining amounts. SAM's and the employees' monthly premiums vary depending upon family size and the level of coverage the employee selected.

SAM also allows employees to participate in 403(b) deferred annuities through four vendors.

NOTE 9 – TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2010 and 2009, the School had a management fee payable to SAM of \$33,029 and \$35,176, respectively. These payables consist of Medicaid and intergovernmental (grants) receivables to be transferred to SAM to cover expenses incurred by SAM on the School's behalf. During fiscal year 2010 and 2009, the School paid management fees to SAM totaling \$904,560 and \$816,536, respectively.

NOTE 10 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAM has contracted with a commercial insurance company for property and general liability insurance on behalf of the School. Property coverage carries a \$5,000 deductible, with the School's contents insured for \$30,000. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a \$2,500 deductible.

Settled claims have not exceeded insurance coverage during the past three years, and there was no significant reduction in coverage amounts from the prior year policy.

NOTE 11 - CONTINGENCIES

Grants – The School receives financial assistance from federal and state agencies in the form of grants, which are then remitted to SAM. The disbursement 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, 2010.

Return of Federal Start-up Funds - On July 30, 2009 (and via letter dated December 22, 2009), the School was notified by the ODE that it had to return \$123,000 of the \$150,000 of federal phase 1 start-up planning grant funds received during 2008. The reason cited was because the School did not operate as a separate, distinct, and independent school during fiscal year 2008. While the School Board and management company disagree with this assertion, the return of these funds has been reflected as a reduction of federal grant revenue in 2009; as a management fee receivable from the management company as of June 30, 2009; and as an intergovernmental liability as of June 30, 2010 and 2009. Although repayment of these funds was expected to begin in March 2010, it did not. In addition, the ODE requested clarification from the United State Department of Education on the issue of co-locating schools, but has not shared any response on this issue with the School. Despite also having the ability to withhold future payments to the School to collect these start-up monies, the ODE has not done so. Accordingly, with no date of repayment known, the entire amount of \$123,000 has been classified as a non-current liability at June 30, 2010.

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL – CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

NOTE 12 – TAX EXEMPT STATUS

Effective December 6, 2008, the School was granted its status as a tax exempt, non-profit organization under Internal Revenue Code Section 501(c)(3).

NOTE 13 – SUBSEQUENT EVENTS

ODE Review – After the end of the year, the Ohio Department of Education (ODE) conducts reviews of enrollment data submitted 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 results of this review for fiscal year 2010 resulted in no significant adjustment to the School's state foundation revenue.

NOTE 14 – MANAGEMENT COMPANY EXPENSES

As per the agreement with SAM (See Note 5), 100 percent of the School's revenue is paid to SAM as a management fee. The related 'purchased services' expense totaled \$902,413 and \$696,591 for the years ended June 30, 2010, and 2009.

Summit Academy Management incurred the following actual direct and indirect expenses on behalf of the School during 2010 and 2009:

	2010	2009
Utilities Services	\$ 28,160	\$ 34,406
Property Services	47,884	90,588
General Supplies	82,242	22,939
Professional and Technical Services	53,236	39,567
Retirement and Insurance Benefits	87,667	39,442
Salaries and Wages	387,230	314,257
Food and Related Items	11,913	13,902
Capital Outlay	12,633	11,995
Other Direct Costs	(207)	4,397
Total Direct Costs	710,758	571,493
Total Indirect Costs (Overhead)	117,143	151,525
Total Expenses	\$ 827,901	\$ 723,018

Summit Academy Management charges expenses benefiting more than one school (i.e. indirect overhead expenses) pro rata based on the number of students within each school it manages.



Dave Yost • Auditor of State

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

Summit Academy Transition High School - Cincinnati
Hamilton County
5800 Salvia Ave
Cincinnati, Ohio 45224

To the Board of Directors:

We have audited the basic financial statements of the Summit Academy Transition High School - Cincinnati, Hamilton County, Ohio, (the School) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated February 4, 2011. Our report refers to other auditors. 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*. Other auditors audited the actual direct and indirect expenses incurred by Summit Academy Management on behalf of the School, as indicated in Note 14, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to Note 14.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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, 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 did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 4, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 4, 2011

**SUMMIT ACADEMY TRANSITION HIGH SCHOOL - CINCINNATI
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 3314.025 - A Finding for Recovery Repaid Under Audit was issued against a Board Member who was overcompensated. The amount was repaid on March 24, 2010.	Yes	Corrected
2009-002	Ohio Rev. Code Section 3314.025 - A Finding for Recovery Repaid Under Audit was issued against a Board Member who was overcompensated. The amount was repaid on March 24, 2010.	Yes	Corrected
2009-003	Ohio Rev. Code Section 3314.025 - A Finding for Recovery Repaid Under Audit was issued against a Board Member who was overcompensated. The amount was repaid on March 24, 2010.	Yes	Corrected
2009-004	Ohio Rev. Code Section 3314.025 - A Finding for Recovery Repaid Under Audit was issued against a Board Member who was overcompensated. The amount was repaid on March 24, 2010.	Yes	Corrected
2009-005	Ohio Rev. Code Section 3314.025 - A Finding for Recovery Repaid Under Audit was issued against a Board Member who was overcompensated. The amount was repaid on March 24, 2010.	Yes	Corrected

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Summit Academy Transition High School - Cincinnati
Hamilton County
5800 Salvia Ave
Cincinnati, Ohio 45224

To the Board of Directors:

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

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

1. In our report dated February 26, 2010, we noted the Board adopted an anti-harassment policy at its meeting on November 7, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A procedure for responding to and investigating any reported incident;
 - (6) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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- (7) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
3. In our report dated February 26, 2010, we noted the policy excluded the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (2) A procedure for documenting any prohibited incident that is reported;
 - (3) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We noted the Board revised its anti-harassment policy at its meeting on April 20, 2010. We read the policy as revised, noting it now properly includes the items listed above.

4. We noted the Board updated its policy to apply to violence within a dating relationship by September 28, 2010, as required by Ohio Rev. Code 3313.666(G).

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

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



Dave Yost
Auditor of State

February 4, 2011



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SUMMIT ACADEMY TRANSITION HIGH SCHOOL- CINCINNATI

HAMILTON 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
MARCH 8, 2011**