LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY
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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lakeside College Preparatory Academy
Cuyahoga County
2401 Washington Avenue
Cleveland, Ohio 44113

To the Board of Directors:

We have audited the accompanying basic financial statements of the Lakeside Preparatory Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Many of the amounts reported on the Statement of Cash Flows were misstated, including:

- Cash Received from State of Ohio
- Cash Payments to Suppliers for Goods and Services
- Federal Grants Received
- State Grants Received
- Contributions from Management Company
- Interest Payments
- Increase in Contracts Payable

The notes to the financial statements contain note disclosures that were inaccurate, including:

- Defined Benefit Pension Plans
- Post Employment Benefits

In our opinion, except for the misstatements of cash flows and disclosures described in paragraphs three and four above, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Academy incurred an operating loss of $196,219 for the year ended June 30, 2008 and accumulated a total net deficit of $168,865 as of June 30, 2008.

As disclosed in Note 16, the Academy formally ceased operations on June 30, 2009

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 15, 2009

The management's discussion and analysis of Lakeside College Preparatory Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets (deficit) were $(168,865) in 2008.
- Total assets were $93,334 in 2008.
- Liabilities were $262,199 in 2008.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets (deficit), a statement of revenues, expenses, and changes in net assets (deficit), and a statement of cash flows.

Statement of Net Assets (Deficit)

The statement of net assets (deficit) answers the question, "How did we do financially during 2008?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

Table I provides a summary of the Academy's net assets for fiscal year 2008:

TABLE I	Governmental Activities June 30 2008
Assets	
Current Assets	$ 85,530
Capital Assets - Net	7,804
Total assets	93,334
Liabilities	
Current Liabilities	262,199
Total liabilities	262,199
Net Assets (Deficit)	
Invested in capital assets	7,804
Unrestricted	(176,669)
Total net assets (deficit)	$ (168,865)

Total net assets for the Academy were $(168,865), due primarily to a large liability to the management company for expenses covered by the management company. Cash was $46,115. Intergovernmental receivables were $19,815 due primarily to the timing of receipt of grant funding and an insurance refund. Capital assets, net of depreciation, were $7,804.

Table 2 shows the changes in net assets (deficit) for fiscal year 2008, as well as a listing of revenues and expenses.

TABLE 2	Governmental Activities June 30 2008
Operating Revenues	
Foundation Payments	$ 411,546
Food Services	
Other	400
Nonoperating Revenues	
Federal Grants	34,254
State Grants	3,850
Total revenue	450,050
Operating Expenses	
Purchased Services	545,557
Materials and Supplies	35,132
Depreciation (unallocated)	2,974
Other expenses	24,502
Nonoperating Expenses	
Interest	10,750
Total expenses	618,915
Increase (Decrease) in Net Assets (Deficit)	$ (168,865)

Net assets (deficit) were $(168,865) due solely to there being far more expenses than the revenue could cover. The management company for the Academy covered the shortfall in 2008.

Capital Assets

At the end of fiscal year 2008, the Academy had $7,804 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal year 2008.

TABLE 3

	2008
Furniture, fixtures and equipment	$ 7,804
Total Capital Assets	$ 7,804

For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Issues

Lakeside College Preparatory Academy was formed in 2007 under a contract with the Buckeye Community Hope Foundation. During the 2007-2008 school year there were 55 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2008 amounted to $411,546.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of Lakeside College Preparatory Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

Lakeside College Preparatory Academy
CUYAHOGA COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 46,115
Accounts Receivable	
Intergovernmental Receivables	19,815
Prepaid Items	19,600
Total Current Assets	85,530
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	7,804
Total Non-Current Assets	7,804
Total Assets	93,334
Liabilities	
Current Liabilities:	
Accounts Payable	11,656
Accrued Wages Payable	4,671
Accrued Interest Payable	191
Notes Payable	44,444
Due to Leona Group	201,237
Total Current Liabilities	262,199
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,804
Unrestricted	(176,669)
Total Net Assets	$ (168,865)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Lakeside College Preparatory Academy
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation Payments	$ 411,546
Other Revenues	400
Total Operating Revenues	411,946
Operating Expenses	
Purchased Services	545,557
Materials and Supplies	35,132
Depreciation	2,974
Other	24,502
Total Operating Expenses	608,165
Operating Loss	(196,219)
Non-Operating Revenues and Expenses	
Federal Grants	34,254
State Grants	3,850
Interest and Fiscal Charges	(10,750)
Total Non-Operating Revenues and Expenses	27,354
Change in Net Assets	(168,865)
Net Assets Beginning of Year	-
Net Assets End of Year	$ (168,865)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Lakeside College Preparatory Academy
CUYAHOGA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 386,040
Cash Received for Food Services	
Cash Received from Other Operating Revenues	400
Cash Payments to Suppliers for Goods and Services	(548,298)
Net Cash Used for Operating Activities	(161,858)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	23,566
State Grants Received	3,000
Contributions From Management Company	158,300
Proceeds From Notes	400,000
Principal Payments	(355,556)
Interest Payments	(10,559)
Net Cash Provided by Noncapital Financing Activities	218,751
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(10,778)
Net Cash Used for Capital and Related Financing Activities	(10,778)
Net Increase in Cash and Cash Equivalents	46,115
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	$ 46,115

(Continued)

Lakeside College Preparatory Academy
CUYAHOGA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (196,219)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	2,974
Changes in Assets and Liabilities:	
Increase in Accounts Payable	11,656
Increase in Accrued Wages Payable	4,671
Increase in Contracts Payable	15,060
Total Adjustments	34,361
Net Cash Use For Operating Activities	$ (161,858)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Lakeside College Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with The Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing March 6, 2007. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by 6 non-certified personnel and 4 certificated teaching personnel who provide services to 55 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee (See Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy 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 financial statements. The Academy's 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.

Non-exchange transactions, in which the Academy 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for furniture and equipment, land, and buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Software costing more than $10,000 per application is also capitalized. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of a checking account at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits.

4. RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants and reimbursements. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Intergovernmental Receivables	Amounts
Title I	6,056
Title IIA	232
Title IID	62
Special Education Part B	374
SERS-STRS	1,239
National School Lunch Program	3,964
State Lunch Money	850
Willis Insurance Refund	6,966
Renhill Reimbursements	72
Total Intergovernmental Receivables	$ 19,815

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	-	10,778	-	10,778
Total Capital Assets Being Depreciated	-	10,778	-	10,778
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	-	(2,974)	-	(2,974)
Total Accumulated Depreciation	-	(2,974)	-	(2,974)
Total Capital Assets Being Depreciated, Net	-	7,804	-	7,804

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Academy contracted with Willis of Arizona, Inc. for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educational Errors and Omissions:	
Per occurrence	$10,000,000
Total per year	10,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2008 were $5,301; 100 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

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 multiplied by a percentage that varies based on years of service, or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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 DB 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 monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB Plan 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 of the DC Plan 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, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 Academy's required contribution for pension obligations to STRS Ohio for the fiscal year ended June 30, 2008 was $18,295; 100 percent has been contributed for fiscal year 2008.

8. POSTEMPLOYMENT BENEFITS

School Employee Retirement System

The Academy 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 Health Care Plan and a Medicare Part B 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 East Broad St., Suite 100, Columbus, OH 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 employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 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 2008, this amount was $1,583.

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 qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal year ended June 30, 2008 was $1,583. 100 percent has been contributed for fiscal year 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2008 were $250. 100 percent has been contributed for fiscal year 2008.

State Teachers Retirement System

The Academy 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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2008 were $1,307. 100 percent has been contributed for fiscal year 2008.

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. 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 of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education reflected the Academy owed the Ohio Department of Education $6,311.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries	$ 178,497
Fringe Benefits	51,551
Repairs and maintenance	10,841
Legal	8,340
Advertising	28,183
Gas, Electricity, Water, Sewer	27,446
The Leona Group, LLC.	54,006
Cleaning Services	5,885
Communications	1,968
Food Services	25,993
Other rentals and leases	3,973
Building lease agreements	97,500
Other Professional and Technical Services	51,374
Total Purchased Services	$ 545,557

11. OPERATING LEASES

The Academy has entered into a lease for the period April 1, 2007 through June 30, 2009 with St. Malachi Church. Payments made totaled $97,500 for the fiscal period. The Academy has the option to extend the lease for an additional period to be determined.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2008.

Fiscal Year Ending June 30,	Facility Lease
2009	96,000
Total minimum lease payments	$ 96,000

12. NOTES PAYABLE

Debt Activity During 2008 was as follows:

	Balance at 07/01/07	Additions	Reductions	Balance at 06/30/08
Note Payable-Charter One Bank	$ -	$ 400,000	$ 355,556	$ 44,444

The Academy entered into a loan with Charter One Bank for $400,000 on October 9, 2007. The note was used to pay for general operations of the Academy. The note has a floating interest rate equal to the Prime Rate and has a maturity date of June 9, 2008. Charter One Bank automatically debited monthly loan payments as they came due, but did not debit the final payment until July 7, 2008. There were no penalties or interest fees.

13. MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 15, 2007 through June 30, 2012, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. There were no management fees paid to TLG in 2008. Terms of the contract require TLG to provide the following:

A. implementation and administration of the Educational Program;

B. management of all personnel functions, including professional development;

C. operation of the school building and the installation of technology integral to school design;

13. MANAGEMENT AGREEMENT (CONTINUED)

D. all aspects of the business administration of the Academy;

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include rent, salaries of The Leona Group, LLC employees working at the Academy, and other costs related to providing educational and administrative services.

At June 30, 2008, the Academy had payables to The Leona Group, LLC in the amount of $201,237. The following is a schedule of payables to The Leona Group, LLC.:

	Amount
Management Fee	54,006
Miscellaneous	147,231
Total Expenses	$ 201,237

15. SUBSEQUENT EVENT

The Academy entered into a loan agreement with Charter One Bank on September 26, 2008 with a maturity date of June 30, 2009. This agreement provided the Academy with $500,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

16. GOING CONCERN

The Academy closed June 30, 2009 due to non renewal of the sponsorship contract with Buckeye Community Hope Foundation.

Mary Taylor, CPA
Auditor of State

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

Lakeside College Preparatory Academy
Cuyahoga County
2401 Washington Avenue
Cleveland, Ohio 44113

To the Board of Directors:

We have audited the basic financial statements of Lakeside College Preparatory Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 15, 2009, wherein we noted the Academy misstated amounts on the Statement of Cash Flows, presented note disclosures that were not accurate and incurred an operating loss of $196,219 for the year ended June 30, 2008 and accumulated a total net deficit of $168,865 as of June 30, 2008, and the Academy ceased operations on June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiency described above, we believe finding 2008-001 is also a material weakness.

We noted certain matters that we reported to the Academy's management in a separate letter dated September 15, 2009

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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 a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated September 15, 2009

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

Mary Taylor

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September 15, 2009

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER	**2008-001**

Statement on Auditing Standards 112 - Effects on Annual Financial Report – Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted to the financial statements and, where applicable, to the Academy's accounting records:

- Many of the amounts reported on the statement of cash flows are misstated; and
- The notes to the financial statements contain note disclosures that are inaccurate

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Board of Directors adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Academy and thereby increasing the reliability of the financial data throughout the year. These procedures should include a review of the draft statements, including tracing all amounts from the financial records to the statements and note disclosures.

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Auditor of State

LAKESIDE COLLEGE PREPARATORY ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2009