LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Lighthouse Educational Development Corporation
Summit County
1585 Frederick Boulevard, Suite 100
Akron, Ohio 44320

To the Board of Directors:

We have audited the accompanying basic financial statements of the Lighthouse Educational Development Corporation, Summit County, Ohio, (the School) as of and for the year ended June 30, 2010, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lighthouse Educational Development Corporation, Summit County, Ohio, as of June 30, 2010, and 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.

As discussed in Note 15 to the financial statements, the School is experiencing certain financial difficulties. Note 15 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As further described in Note 14 to the financial statements, the School has certain liabilities due to Akron Community School related to a past management agreement. However, Akron Community School is no longer in operation.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 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. 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.

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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.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

April 11, 2011

The discussion and analysis of Lighthouse Educational Development Corporation (Lighthouse) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010 (FY 10). The intent of this discussion and analysis is to look at Lighthouse's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of Lighthouse's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Total net assets increased $54,386 in 2010. This represents a 79.2% increase from FY2009.

- Total revenue was $1,301,512 in 2010, which represents a $123,979 increase from FY2009. The increase is due to Federal Stimulus monies received, and an additional Federal Grant received.

- Total expenses were $1,247,126 in 2010. This is a decrease of $1,017 from FY2009.

- Total assets decreased $17,463 and total liabilities decreased $71,849 in 2010. The decrease in total assets is mainly due to Intergovernmental Receivables at the end of FY2009 being received in FY2010. The decrease in total liabilities is due to the line of credit being paid off and a reduction in accounts payable.

  Lighthouse has no long term debt at June 30, 2010.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lighthouse as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the whole School, presenting both an aggregate view of Lighthouse's finances and a longer-term view of those finances. Lighthouse's financial statements are presented based upon the enterprise method of reporting under Governmental Accounting Standards Board (GASB). As such, Lighthouse summarizes its financial data as expected of a traditional business or corporation.

Reporting Lighthouse as a Whole

Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

The view of Lighthouse as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report Lighthouse's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for Lighthouse as a whole, the *financial position* of Lighthouse has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include Lighthouse's student enrollment, per-pupil funding as determined by the State of Ohio that restricts revenue growth, change in technology, required educational programs and other factors.

Reporting Lighthouse's Financial Statements

The analysis of Lighthouse's financial statements begins on this page. These financial statements use the accrual basis of accounting as business-type activities.

Lighthouse's major revenue source is the State Basic Aid Foundation. Additional sources of revenue come from federal entitlement programs and miscellaneous state grants.

Lighthouse's activities focus on how money flows into and out of the school and the balances left at year-end available for spending in future periods. Lighthouse reports its financial data using an accounting method called *full accrual*, which measures all *financial assets*. The financial statements provide a detailed snap-shot view of Lighthouse's general government operations and the basic services it provides. This information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Lighthouse as a Whole

Recall that the Statement of Net Assets provides the perspective of Lighthouse as a whole. Table 1 provides a summary of Lighthouse's net assets for 2010 compared to the prior year:

Table 1
Net Assets

	2010	2009
ASSETS:		
Current Assets	$101,101	$118,737
Capital Assets	41,579	41,406
Total Assets	142,680	160,143
LIABILITIES:		
Current Liabilities	156,978	228,827
Total Liabilities	156,978	228,827
NET ASSETS:		
Invested in Capital Assets	41,579	41,406
Unrestricted (Deficit)	(55,877)	(110,090)
Total Net Assets (Deficit)	($14,298)	($68,684)

Total net assets increased $54,386. The primary reason for this increase is that Lighthouse's revenues increased $123,979 from 2009 to 2010. The increase in revenues is due mainly to receiving Federal Stimulus Grants and an additional Federal Grant.

Current assets decreased from $118,737 in 2009 to $101,101 in 2010. The major reason for this decrease is intergovernmental receivable is lower than the prior year's.

Total Assets decreased from $160,143 in 2009 to $142,680 in 2010.

Liabilities decreased by $71,849. This decrease for 2010 is due primarily to the line of credit being paid off, a decrease in accounts payable and intergovernmental payable. The net impact was an increase in net assets of $54,386.

Community School Activities

The overall revenue generated by a community school is solely dependent upon student enrollment plus the per-pupil allotment given by the State foundation and from the federal entitlement programs. Thus community schools dependence upon legislative and congressional decisions on per-pupil funding hampers revenue growth. Foundation payments made up 55.1 percent of revenues for Lighthouse in fiscal year 2010. Grant revenues increased primarily due to availability of Federal Stimulus money and an additional Federal Grant from the previous year. Table 2 shows the total cost of services for the past 2 years. That is, it identifies the cost of these services supported by unrestricted State entitlements and restricted State and Federal Grants:

Table 2
Net Assets

	2010	2009
Operating Revenues:		
Foundation	$716,393	$734,640
Other Operating Revenue	19,914	8,832
Non-Operating Revenues:		
Donations	0	1,500
Interest	17	0
Grants	565,188	432,561
Total Revenues	1,301,512	1,177,533
Operating Expenses:		
Salaries	472,572	518,575
Fringe Benefits	222,422	219,142
Purchased Service	442,027	362,825
Materials and Supplies	83,267	122,389
Depreciation	11,869	15,005
Other	11,681	7,620
Non-Operating Expenses:		
Interest Expense	3,288	2,587
Total Expenses	1,247,126	1,248,143
Increase (Decrease) in Net Assets	54,386	(70,610)
Net Assets (Deficit) Beginning of Year	(68,684)	1,926
Net Assets (Deficit) End of Year	($14,298)	($68,684)

Total revenues increased from $1,177,533 in 2009 to $1,301,512 in 2010. The primary reason for this increase was due to an increase in grant revenue due to Federal Stimulus Grants and an additional Federal Grant.

Total expenses decreased from $1,248,143 in 2009 to $1,247,126 in 2010.

Lighthouse Budgeting Highlights

Community schools are exempt from appropriations law but are required to maintain the finances under full accrual accounting as required by Generally Accepted Accounting Principles (GAAP). The budget requirement is prescribed by the Ohio Department of Education through each sponsor. Accordingly, Lighthouse's budget is prepared and approved according to a rigid process required by the Lighthouse Board. The Board reviews the budget monthly to stay compliant with its due diligence requirements. Budgets are revised at least once each year to reflect actual data.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, Lighthouse had $41,579 in net capital assets. See Note 6 for additional information.

Liabilities

At June 30, 2010 Lighthouse had $156,978 in total liabilities. Most of this is accounts payable, accrued wages, intergovernmental payable, unearned revenue, and a loan payable. Lighthouse has a no long term debt at June 30, 2010.

Current Financial Related Activities

The School must look for ways to increase its efficiency and effectiveness. As described on the previous pages, the School has limited means to increase its revenue relative to traditional school districts. Community Schools cannot seek additional funds through levies and is limited to the per pupil revenue. As such, the School must constantly monitor budgets and develop revenue models to accurately anticipate changes in funding and timing of revenue.

Contacting Lighthouse's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of Lighthouse's finances and to reflect Lighthouse's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joseph W. White Jr., President of the Board, 1585 Frederick Blvd , Suite 100, Akron, OH 44320.

BASIC FINANCIAL STATEMENTS

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Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Net Assets
June 30, 2010

Assets	
Current:	
Cash	$35,825
Receivables:	
Accounts Receivable	15,545
Intergovernmental Receivable	49,731
Total Current Assets	101,101
Noncurrent:	
Capital Assets:	
Non-Depreciable Capital Assets	1,790
Depreciable Capital Assets, Net	39,789
Total Capital Assets	41,579
Total Assets	142,680
Liabilities	
Current Liabilities:	
Accounts Payable	38,005
Accrued Wages and Benefits	33,191
Unearned Revenue	29,757
Intergovernmental Payable	32,025
Loan Payable	24,000
Total Liabilities	156,978
Net Assets	
Invested in Capital Assets	41,579
Unrestricted (Deficit)	(55,877)
Total Net Assets	($14,298)

See accompanying notes.

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

Operating Revenues:	
Foundation	$716,393
Miscellaneous	19,914
Total Operating Revenues	736,307
Operating Expenses:	
Salaries	472,572
Fringe Benefits	222,422
Purchased Services	442,027
Materials and Supplies	83,267
Depreciation	11,869
Other	11,681
Total Operating Expenses	1,243,838
Operating (Loss)	(507,531)
Non-Operating Revenues (Expenses):	
Interest Income	17
Grants	565,188
Interest Expense	(3,288)
Net Non-Operating Revenues (Expenses)	561,917
Change in Net Assets	54,386
Net Assets (Deficit) at Beginning of Year	(68,684)
Net Assets (Deficit) at End of Year	($14,298)

See accompanying notes.

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

Increase (Decrease) in Cash	
Cash Flows from Operating Activities	
Cash Received from State Foundation	$735,481
Other Cash Receipts	19,914
Cash Payments to Employees for Services	(467,119)
Cash Payments for Employee Benefits	(222,779)
Cash Payments for Goods and Services	(589,822)
Other Cash Payments	(8,610)
Net Cash (Used for) Operating Activities	(532,935)
Cash Flows from Noncapital Financing Activities	
Grants Received	624,273
Principal Payment	(48,950)
Interest Payments	(3,288)
Net Cash Provided by Noncapital Financing Activities	572,035
Cash Flows from Capital and Related Financing Activities	
Capital Asset Purchases	(12,042)
Net Cash (Used for) Capital and Related Financing Activities	(12,042)
Cash Flows from Investing Activities	
Interest on Investments	17
Net Cash Provided by Investing Activities	17
Net Increase in Cash	27,075
Cash Beginning of Year	8,750
Cash End of Year	$35,825
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
Operating (Loss)	($507,531)
Adjustments:	
Depreciation	11,869
Decrease in Assets:	
Security Deposits	400
Increase (Decrease) in Liabilities:	
Accounts Payable	(32,122)
Accrued Wages	5,453
Intergovernmental Payable	(11,004)
Net Cash (Used for) Operating Activities	($532,935)

See accompanying notes.

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NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy (the School) is a school as provided for by Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School, which is part of the State's education program, is independent of any school. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

On May 16, 2006, the School signed an agreement with the Richland Academy of Arts to sponsor the School for a five year period beginning on July 1, 2006. The School operates under a self-appointing Board of Trustees (the Board).

The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then-existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility staffed by one non-certified and twelve certified full-time teaching personnel who provide services to 100 students.

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 and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

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.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the 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 statement of Net Assets. 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.

Budgetary Process

Unlike traditional public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow provisions of Ohio Revised Code Section 5705, except for Section 5705.391 as it relates to five-year forecasts.

Cash

Cash received by the School is maintained in demand deposit and money market accounts. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the dates received. The School does not possess any infrastructure. Leasehold improvements are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of leasehold improvements, computers, furniture and equipment is computed using the straight-line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. All items with a useful life of one year or greater and a value of $1,000 or more are capitalized.

Estimated useful lives are as follows:

Capital Asset Classification	Years
Leasehold Improvements	10
Fixtures and Equipment	7-10

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Intergovernmental Revenues

The School currently participates in several State and Federal programs:

Non-Reimbursable Grants
Management Information Systems
ARRA-State Fiscal Stabilization Funds
Safe & Drug Free Schools
Idea Part B
ARRA-Idea Part B
Title I
ARRA-Title I
Title I – School Improvement
Title II-A
Title II-D
21st Century

Reimbursable Grants
National School Lunch Program
School Breakfast Program

The School currently 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. 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.

Operating Revenues and Expenses

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

Accrued Liabilities

Obligations, such as wages and benefits due but unpaid, are reported as liabilities in the accompanying financial statements.

Unearned Revenue

Grants received before the eligibility requirements are met are recorded as unearned revenue.

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.

Economic Dependency

The Academy receives the majority of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the School has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" which establishes accounting and financial reporting requirements for intangible assets to reduce reporting inconsistencies. The implementation of GASB 51 had no material effect on the financial statements of the School. The School also implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" which establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments. The implementation of GASB 53 had no material effect on the financial statements of the School. In addition, the School implemented GASB 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" which provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The implementation of GASB 58 had no material effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At year-end, the bank balance was $53,456. All of the bank balance is covered by federal depository insurance.

NOTE 5- INTERGOVERNMENTAL RECEIVABLE

All receivables are considered collectible in full, due to the stable condition and the current year guarantee by the State of Ohio. The receivable amount of $49,731 was determined from claims submitted by the school to the Ohio Department of Education.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

A summary of the School's capital assets at June 30, 2010, follows:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10
Capital Assets, Not Being Depreciated:				
Land & Improvements	$1,790	$0	$0	$1,790
Total Capital Assets, Not Being Depreciated	1,790	0	0	1,790
Capital Assets, Being Depreciated:				
Leasehold Improvements	16,089	0	0	16,089
Fixtures and Equipment	114,346	12,042	0	126,388
Total Capital Assets, Being Depreciated	130,435	12,042	0	142,477
Less Accumulated Depreciation:				
Leasehold Improvements	(5,376)	(1,448)	0	(6,824)
Fixtures and Equipment	(85,443)	(10,421)	0	(95,864)
Total Accumulated Depreciation	(90,819)	(11,869)	0	(102,688)
Total Capital Assets, Being Depreciated, net	39,616	173	0	39,789
Total Capital Assets, net	$41,406	$173	$0	$41,579

NOTE 7 - PURCHASED SERVICES

For the period July 1, 2009 through June 30, 2010, purchased service expenses were payments for services rendered by various vendors as follows:

Total Purchased Services	
Professional Services	$287,911
Property Services	114,179
Travel and Meetings	740
Communications	11,464
Utility Services	21,908
Pupil Transportation Services	288
Other Purchased Services	5,537
Total Purchased Services	$442,027

NOTE 8 - RISK MANAGEMENT

Property and Liability – The School 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 2010, the School contracted with a company for property and general liability insurance. Property coverage carries a $2,500 deductible and has a $1,000,000 limit. General liability coverage provides $1,000,000 per occurrence and $1,000,000 in the aggregate with a $2,500 deductible. Settled claims have not exceeded this commercial coverage, nor have there been any significant reductions in coverage in the past three fiscal years.

Workers Compensation - The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the total monthly gross payroll by a factor determined by the Bureau of Worker's Compensation.

NOTE 9 - OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, and Vision Benefits – The School has contracted with a private carrier to provide employee medical/surgical and dental benefits. The School pays 90% of the monthly premiums and the employee is responsible for the remaining 10%. For fiscal year 2010, the School's and the employee’s premiums varied depending on insurance coverage selected, family size and the ages of those covered. The School also has a Section 125 cafeteria plan available for its employees. This is a pretax voluntary supplementary medical benefits program employee funded and employer administrated.

NOTE 10 - RETIREMENT PLANS

School Employees Retirement System - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 may 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.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among the four 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 to 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School’s contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were $8,441, $15,377, and $15,933, respectively, 92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

In the Combined Plan Benefits, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member an employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependants. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirement and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were $58,675, $57,980, and $64,549, respectively; 93.2 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

STRS Ohio issues a stand-alone financial report. The 2009 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS or STRS Ohio.

NOTE 11- OTHER POSTEMPLOYMENT BENEFITS

School Employees Retirement Systems – In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in the Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statue to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was $96.40 for most participants, but could be as high as $353.60 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. Lighthouse Educational Development Corporation's contributions for the years ended June 30, 2010, 2009 and 2008 were $406, $824, and $774, respectively, 92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Lighthouse

Educational Development Corporation's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were $1,608, $4,569, and $3,778, respectively, 92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The 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.

State Teachers Retirement Systems

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contribution. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008, and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The School's contributions for health care for fiscal years ended June 30, 2010, 2009, and 2008 were $4,191, $4,141, and $4,611, respectively; 93.2 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 12 - CONTINGENCIES

GRANTS – The School 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. 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.

ENROLLMENT FTE - The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Based on ODE's review, there was $19,088 overfunded to the School by ODE and is booked as an intergovernmental payable.

NOTE 13 – LINE OF CREDIT

During the year, the School had a revolving bank line-of-credit with an interest rate of 7%. In 2006, the School borrowed $50,000 for operating expenses. At July 1, 2009, the outstanding balance was $48,950. In 2010, the School repaid the total $48,950 and paid interest expense of $3,288.

NOTE 14 – MANAGEMENT AGREEMENT

On August 22, 2004, the School contracted with Akron Community School (ACS) to facilitate day-to-day operations of ACS. This includes adopting the educational curriculum, providing teaching, developing and maintain state mandated testing and requirements, and completing all required administrative reports. As of June 30, 2005, the Akron Community School is no longer in operation.

During fiscal year 2005, a $25,000 cash loan was given by ACS to Lighthouse Academy of which $24,000 remains outstanding at June 30, 2010 and is reflected on the Statement of Net Assets as “Loan Payable”. There is no written agreement specifying an interest rate or repayment requirements for this loan.

Also, during 2005 Akron Community School paid certain expenses totaling $548 which should have been paid by Lighthouse Academy in accordance with the management agreement. In addition, the State FTE review resulted in an additional $10,000 of Foundation Revenue overpayments to Akron Community School from past fiscal years. Akron Community School paid this revenue to Lighthouse Academy as a reimbursement of the management fee, since 100% of revenue was paid to Lighthouse as management fees, this revenue is due back to ACS to pay ODE. These amounts are reflected on the Statement of Net Assets as an accounts payable.

The School also had an accounts receivable of $410 due from ACS from the prior fiscal year that remains unpaid at June 30, 2010.

Summary of amounts due to and (due from) ACS:

	June 30, 2010
Accounts Receivable	($410)
Accounts Payable	10,548
Loan Payable	24,000
Net Amount Due to AkronCommunity School	$34,138

NOTE 15 – FISCAL DISTRESS

The School is having difficulties meeting operational expenses. As of June 30, 2010, the School had a net asset (deficit) of ($14,298).

Management has developed a plan to scrutinize and monitor the School’s expenses on a more regular basis.

Management has been working with their new fiscal agent since January 1, 2009 to pay past debts and cut expenses. The new fiscal agent has been providing the Board with monthly financial reports. In addition, management has been working to increase enrollment and applying for additional grants to improve their financial condition.

NOTE 16 – SUBSEQUENT EVENTS

In October 2010, the Board approved utilizing a line of credit in the amount of $28,000 for operating expenses.

Lighthouse Educational Development Corporation
Federal Awards Receipts and Expenditures Schedule
For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Year	Receipts	Expenditures
U.S. Department of Education				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States	84.027	2010	$16,031	$17,775
ARRA-Special Education Grants to States	84.391	2010	22,747	22,747
Total Special Education Cluster			38,778	40,522
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	2010	50,227	50,227
Title I Cluster:				
Title I Grants to Local Educational Agencies	84.010	2009	19,157	11,433
Title I Grants to Local Educational Agencies	84.010	2010	79,518	77,081
Title I Grants to Local Educational Agencies - School Improvement	84.010	2009	46,906	33,842
Title I Grants to Local Educational Agencies - School Improvement	84.010	2010	50,223	54,484
ARRA-Title I Grants to Local Educational Agencies	84.389	2010	60,716	62,332
Total Title I Cluster			256,520	239,172
Twenty-First Century Community Learning Centers	84.287	2008	0	3,159
Twenty-First Century Community Learning Centers	84.287	2009	26,233	18,003
Twenty-First Century Community Learning Centers	84.287	2010	162,364	169,865
Total Twenty-First Century Community Learning Centers			188,597	191,027
Safe and Drug-Free Schools and Communities State Grants	84.186	2010	87	0
State Grants for Innovative Programs	84.298	2008	0	4
State Grants for Innovative Programs	84.298	2009	0	13
Total State Grants for Innovative Programs			0	17
Educational Technology State Grants	84.318	2007	0	138
Educational Technology State Grants	84.318	2009	0	87
Educational Technology State Grants	84.318	2010	965	874
Total Educational Technology State Grants			965	1,099
Improving Teacher Quality State Grants	84.367	2009	10,286	11,388
Improving Teacher Quality State Grants	84.367	2010	12,595	12,595
Total Improving Teacher Quality State Grants			22,881	23,983
Total U.S. Department of Education			558,055	546,047
U.S. Department of Agriculture				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	2010	38,531	38,531
School Breakfast Program	10.553	2010	17,437	17,437
Total Child Nutrition Cluster			55,968	55,968
Total U.S. Department of Agriculture			55,968	55,968
Total Federal Assistance			$614,023	$602,015

The accompanying notes are an integral part of the schedule.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Lighthouse Educational Development Corporation's (the School's) federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

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

Lighthouse Educational Development Corporation
Summit County
1585 Frederick Boulevard, Suite 100
Akron, Ohio 44320

To the Board of Directors:

We have audited the basic financial statements of Lighthouse Educational Development Corporation (the School), Summit County, Ohio, as of and for the year ended June 30, 2010, and have issued our report thereon dated April 11, 2011, wherein we noted the School has certain amounts due to Akron Community School. In addition, we noted the School is experiencing financial difficulties. 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 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 April 11, 2011.

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

Dave Yost

Dave Yost
Auditor of State

April 11, 2011

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Lighthouse Educational Development Corporation
Summit County
1585 Frederick Boulevard, Suite 100
Akron, Ohio 44320

To the Board of Directors:

Compliance

We have audited the compliance of Lighthouse Educational Development Corporation (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Lighthouse Educational Development Corporation's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

As described in findings 2010-01 and 2010-02 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding activities allowed or unallowed and allowable costs/cost principles applicable to its Twenty-first Century Community Learning Centers major federal program. Compliance with these requirements is necessary, in our opinion, for the School to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Lighthouse Educational Development Corporation complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-02 to be material weaknesses.

The School's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated April 11, 2011.

We intend this report solely for the information and use of management, Board of Directors, the Community School's sponsor, federal awarding agencies and pass-through entities, and others within the School. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

April 11, 2011

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Twenty-First Century Community Learning Centers – CFDA #84.287 and Title I Cluster – CFDA #84-010 and #84.389
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding Number	2010-01
CFDA Title and Number	Twenty-First Century Community Learning Centers – CFDA #84.287 and Improving Teacher Quality State Grants – CFDA #84.367
Federal Award Number / Year	2010 and 2009
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, MATERIAL NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 225, Appendix B (8)(h). provides, in part, salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a federal award and a non-Federal award. Personal activity reports or equivalent documentation must meet the following standards:

- They must reflect an after-the-fact distribution of the actual activity of each employee;
- They must account for the total activity for which the employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for that period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

In addition **2 C.F.R. Part 225, Appendix B 32(a) and (b)(8)** provides, in part, cost of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the governmental unit, are allowable, subject to subparagraphs b and c when reasonable in relation to services rendered. In determining the allowability of costs in a particular case, the adequacy of the contractual agreement for the service should be considered (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

Finding Number	2010-01 (continued)

The following exceptions were noted with regards to the abovementioned sections of code:

- The School's Educational Director/Principal from July 2009 thru March 2010 was paid $7,273 from the 21st Century Community Learning Centers grant; however, no personnel activity reports were provided to document the amount of time charged to this grant. In addition, his supplemental 21st Century contract was not signed by the Board President or approved in the minutes of the Board of Directors. Therefore, we are questioning this cost.
- The School's Educational Director/Principal from March 2010 thru June 2010 was paid $2,727 from the 21st Century Community Learning Centers grant, in addition to her Director/Principal contract; however, no personnel activity reports were provided to document the amount of time charged to this grant. In addition, there was no contract for these services, nor any approval in the minutes of the Board of Directors for these services. Therefore, we are questioning this cost.
- An employee was paid $25,000 under a separate contract for the grant governance and administration of the 21st Century Community Learning Centers grant; however, the contract was not signed by the Board President or approved in the minutes of the Board of Directors. In addition, there was no semiannual certification or personnel activity reports provided to document time charged to this grant. In addition, this employee was paid $12,595 of their teaching contract from the Improving Teacher Quality State Grants; however, no personnel activity reports were provided to document the amount of time charged to this grant. Therefore, we are questioning costs of $25,000 charged to the 21st Century Community Learning Centers grants and $12,595 charged to the Improving Teacher Quality State Grant.
- 8 employees were paid $21,655 from the 21st Century Community Learning Centers grant for the afterschool program; however, none of the employees had a contract for these services nor did the minutes of the Board of Directors approve an hourly pay rate for this program or who should be paid from this grant. Therefore, we are questioning these costs.
- Employee benefits, such as pension, Medicare, and medical insurance in the amount of $6,694 were charged to the 21st Century Community Learning Centers grant relating to payroll amounts noted above. Since we are questioning the payroll amounts we are also questioning these related benefit costs.
- 14 non-employees were paid $46,295 from the 21st Century Community Learning Centers grant for the afterschool program; however, none of these individuals had a contract for these services. In addition, the minutes of the Board of Directors did not approve an hourly pay rate for this program nor did it approve the hiring of these individuals. Therefore, we are questioning this cost.

Total Questioned Costs against the 21st Century Community Learning Centers grant equal $109,644 and against the Improving Teacher Quality State Grant equal $12,595.

In addition, while the teachers did complete timesheets, we noted the following errors with these documents:

- For 4 of 15 employee payroll transactions selected for testing, their time sheets used as personnel activity reports were not signed by the employee.
- For 4 of 15 employee payroll transactions selected for testing, their time sheets used as personnel activity reports did not detail the specific times worked but rather indicated total hours worked per day.
- All of the employee payroll transactions selected for testing, timesheets only were maintained for their 21st Century hours, rather than for the total activity for which the employee was compensated.

Finding Number	2010-01 (continued)

We recommend the School maintain the records required by 2 C.F.R. Part 225, Appendix B 8(h), 32(a) and (b)(8). These records should then be used to adjust budgeted grant costs to actual grant costs on at least a quarterly basis. We further recommend an effective system of reconciling the personal activity reports with the actual payroll costs charged to each federal grant cost and cost objective to ensure the completeness and accuracy of charges made to each program by the grant coordinators.

Official's Response: All employees who work on a single Federal award or cost objective, will prepare a semi-annual certification signed by the employee or a supervisory official who has first hand knowledge of the work performed. All employees who work on multiple activities or cost objectives will turn in personnel activity reports or equivalent documentation. The Board of Directors will approve the contracts for all employees/non-employees. The Board will approve the hiring of employees/non-employees. Employees will maintain timesheets for the total activity for which they are compensated. For fiscal year ending June 30, 2011, the Board of Directors approved an hourly pay rate for this program.

2. Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding Number	2010-02
CFDA Title and Number	Twenty-First Century Community Learning Centers – CFDA #84.287
Federal Award Number / Year	2010 and 2009
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, MATERIAL NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 225, Appendix A Section C, provides, in part, for a cost to be allowable under a federal award it must be necessary and reasonable for proper and efficient performance and administration of federal awards and adequately documented. In addition, a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

2 C.F.R. Part 225, Appendix E Sections A, provides, in part, indirect costs are those that have been incurred for common or joint purposes. Indirect costs may include use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.

Finding Number	2010-02 (continued)

2 C.F.R. Part 225, Appendix E Section D, provides, in part, all departments or agencies of the governmental unit desiring to claim indirect costs under federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule. A governmental unit for which a cognizant agency assignment has been specifically designated must submit its indirect cost rate proposal to its cognizant agency. The Office of Management and Budget (OMB) will periodically publish lists of governmental units identifying the appropriate Federal cognizant agencies. The cognizant agency for all governmental units or agencies not identified by OMB will be determined based on the Federal agency providing the largest amount of Federal funds. In these cases, a governmental unit must develop an indirect cost proposal in accordance with the requirements of 2 CFR Part 225 and maintain the proposal and related supporting documentation for audit. These governmental units are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency. Where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating and/or monitoring the sub-recipient's plan.

Our testing of the 21st Century Community Learning Centers Grant (the Grant) expenditures noted the following issues:

- The School allocated $500 of a $1,500 invoice for janitorial services for the month of September 2009 to the Grant; however, the School does not have an indirect cost rate plan. Therefore, we are questioning $500.
- The School allocated $6,374 of a $18,585 invoice for building rent, utilities, and insurance to the Grant; however, the School does not have an indirect cost rate plan. Therefore, we are questioning $6,374.
- The School charged 100% of a $3,292 invoice for miscellaneous supplies and candy to the Grant. The School was unable to show these items were used only for this grant. Therefore, we are questioning $3,292.
- The School allocated $748 of a $1,769 invoice for miscellaneous supplies to the Grant. The School was unable to show which items were allocated to and used only for this grant. Therefore, we are questioning $748.
- The School charged 100% of a $3,882 invoice for miscellaneous supplies, carpet squares, games, and furniture to the Grant. The School was unable to show these items were used only for this grant. Therefore, we have are questioning $3,882.

Total Questioned Costs against the 21st Century Community Learning Centers grant equal $14,796.

The School should maintain supporting documentation for all transactions charged to Federal grant funds including documentation that items purchased with grant funds are used only for allowable purposes of the applicable grant. If the School expects to charge indirect costs to a grant, they must develop an indirect cost rate plan and submit it to the Ohio Department of Education for approval and maintain documentation they are following the plan. Failure to maintain adequate supporting documentation could cause the School to lose future grant funding.

Official's Response: The School will develop an indirect cost rate plan and submit it to the Ohio Department of Education for approval. The School will also create a policy regarding the use of supplies purchases with grant monies. The policy shall inform all employees that the items purchased are to only be used for the grant program. The School will also label the supplies as "only for grant program."

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-01	All employees who work on a single Federal award or cost objective, will prepare a semi-annual certification signed by the employee or a supervisory official who has first hand knowledge of the work performed. All employees who work on multiple activities or cost objectives will turn in personnel activity reports or equivalent documentation. The Board of Directors will approve the contracts for all employees/non-employees. The Board will approve the hiring of employees/non-employees. Employees will maintain timesheets for the total activity for which they are compensated. For fiscal year ending June 30, 2011, the Board of Directors approved an hourly pay rate for this program.	June 30, 2011	Scott K. Varney
2010-02	The School will develop an indirect cost rate plan and submit it to the Ohio Department of Education for approval. The School will also create a policy regarding the use of supplies purchases with grant monies. The policy shall inform all employees that the items purchased are to only be used for the grant program. The School will also label the supplies as “only for grant program.”	June 30, 2011	Scott K. Varney

Dave Yost • Auditor of State

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2011