LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2012

Dave Yost • Auditor of State

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT ACCOUNTANTS' REPORT

Lighthouse Educational Development Corporation
Summit County
c/o Richland Academy of the Arts
75 North Walnut Street
Mansfield, Ohio 44901

To the Board of Directors:

We have audited the accompanying financial statements of Lighthouse Educational Development Corporation, Summit County, Ohio, (the School), as of and for the year ended June 30, 2012, 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 financial position of Lighthouse Educational Development Corporation, Summit County, Ohio, as of June 30, 2012, 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.

As discussed in Note 1 to the financial statements, the School terminated operations effective June 30, 2012.

As further described in Note 12 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 May 24, 2013, 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.

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

Dave Yost

Dave Yost
Auditor of State

May 24, 2013

Lighthouse Educational Development Corporation
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(Unaudited)

The discussion and analysis of Lighthouse Educational Development Corporation (Lighthouse)'s financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at Lighthouse's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of Lighthouse's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

► Total net assets increased $9,501 in fiscal year 2012 from fiscal year 2011.

► Total assets increased $21,363 from the prior year.

► Net Assets at December 31, 2012 was $12,692.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how Lighthouse did financially during fiscal year 2012. 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 whether 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. These statements can be found on pages 7 and 8 of this report.

Lighthouse uses enterprise presentation for all of its activities.

Table 1 provides a summary of Lighthouse's net assets for fiscal years ended June 30, 2012 and 2011.

Table 1
Net Assets

	2012	**2011**
Assets		
Current assets	$ 109,543	$ 82,380
Capital assets, net	31,016	36,816
Total Assets	140,559	119,196
Liabilities		
Current liabilities	127,867	116,005
Total Liabilities	127,867	116,005
Net Assets		
Invested in capital assets	31,016	36,816
Restricted	61,575	45,643
Unrestricted (Deficit)	(79,899)	(79,268)
Total Net Assets	$ 12,692	$ 3,191

Total Assets of Lighthouse increased by $21,363 due to an increase in cash compared with fiscal year 2011. This increase is due primarily to the school closing and not paying all payables in anticipation of repaying unused grant dollars.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2012 and 2011.

Table 2
Change in Net Assets

	2012	**2011**
Operating Revenues:		
Foundation	$460,205	$625,982
Food Service		263
Other Operating Revenue	2,034	21,728
Non-Operating Revenues:		
State and Federal Grants	322,646	412,955
Other		474
Interest		17
Total Revenues	784,885	1,061,419
Operating Expenses:		
Salaries	281,766	449,764
Fringe Benefits	117,687	132,289
Purchased Services	284,978	370,358
Materials and Supplies	61,983	75,491
Depreciation	5,800	7,190
Other	10,056	5,327
Non-Operating Expenses:		
Interest and fiscal charges	1,267	1,026
Other	11,847	
Total Expenses	775,384	1,041,445
Change in Net Assets	9,501	19,974
Net Assets (Deficit), Beginning of Year	3,191	(16,783)
Net Assets, End of Year	$ 12,692	$ 3,191

Total revenue received by Lighthouse in fiscal year 2012 decreased $276,534 compared with fiscal year 2011. As shown on Table 2 above, there was a decrease in foundation revenues.

Total expenses for fiscal year 2012 decreased by $266,061 compared with total expense reported for the prior fiscal year. Salaries and purchased services were the main components of the decrease in expenses.

Capital Assets

At June 30, 2012 the capital assets of Lighthouse totaled $135,765 with accumulated depreciation being $104,749. During the year, Lighthouse did not purchase any equipment. See Note 5 of the notes to the basic financial statements for additional information.

Debt

Lighthouse had no long-term obligations at June 30, 2012.

Restrictions and Other Limitations

The Lighthouse Educational Development Corporation has ceased operations as of June 30, 2012.

Contacting Lighthouse Educational Development Corporation

This financial report is designed to provide a general overview of the finances of Lighthouse Educational Development Corporation and to show the Lighthouse's accountability for the monies it received to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to:

Lighthouse Educational Development Corporation
75 N. Walnut Street
Mansfield, Ohio 44901

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Net Assets
June 30, 2012

Assets:	
Current Assets:	
Cash	$ 102,557
Accounts Receivable	3,780
Intergovernmental Receivable	3,206
Total Current Assets	109,543
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation)	31,016
Total Noncurrent Assets	31,016
Total Assets	$ 140,559
Liabilities:	
Current Liabilities:	
Accounts Payable	$ 47,007
Intergovernmental Payable	42,456
Accrued Wages Payable	2,824
Line of Credit	11,580
Note Payable	24,000
Total Current Liabilities	127,867
Total Liabilities	$ 127,867
Net Assets:	
Invested in Capital Assets	$ 31,016
Restricted	61,575
Unrestricted (Deficit)	(79,899)
Total Net Assets	$ 12,692

See accompanying notes to the basic financial statements

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

Operating Revenues:	
Foundation	$ 460,205
Other Operating Revenue	2,034
Total Operating Revenues	462,239
Operating Expenses:	
Salaries	281,766
Fringe Benefits	117,687
Purchased Services	284,978
Materials and Supplies	61,983
Depreciation	5,800
Other	10,056
Total Operating Expenses	762,270
Operating Loss	(300,031)
Non-Operating Revenues / (Expenses):	
State and Federal Grant Revenue	322,646
Interest and Fiscal Charges	(1,267)
Other	(11,847)
Total Non-Operating Revenues / (Expenses)	309,532
Changes in Net Assets	9,501
Net Assets at Beginning of Year	3,191
Net Assets at End of Year	$ 12,692

See accompanying notes to the basic financial statements

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 489,161
Cash Payments to Suppliers for Goods and Services	(336,030)
Cash Payments to Employees for Services and Benefits	(380,548)
Other Cash Payments	(9,870)
Net Cash Used in Operating Activities	(237,287)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	341,841
Cash Received from Other Sources	3,740
Miscellaneous	(12,324)
Principal Paid on Notes	(16,688)
Cash Payment for Interest Paid on Notes	(999)
Net Cash Provided by Noncapital Financing Activities	315,570
Net Decrease in Cash and Cash Equivalents	78,283
Cash and Cash Equivalents, Beginning of Year	24,274
Cash and Cash Equivalents, End of Year	$ 102,557
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	$ (300,031)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	5,800
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	25,750
Decrease in Accrued Wages Payable	(20,195)
Increase in Accounts Payable	17,005
Increase in Intergovernmental Payable	34,384
Total Adjustments	62,744
Net Cash Used in Operating Activities	$ (237,287)

See accompanying notes to the basic financial statements

This Page is Intentionally Left Blank

1. Description of the School and Reporting Entity

Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy (the Academy) is a state non-profit corporation established pursuant to the Ohio Rev. Code Chapters 3314 and 1702. The Academy's objective is to provide education in a nurturing environment that focuses on the development of the whole child. Emphasis is placed on academic achievement as well as physical, psychological, social, and ethical development. 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 is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

On May 16, 2006 the Academy signed an agreement with the Richland Academy of Arts to sponsor the Academy for a five year period beginning July 1, 2006 to be extended for additional one year terms, unless terminated by either party.

The Academy operated under the direction of a governing board of at least seven members. 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 Academy closed as of June 30, 2012.

2. Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental non-profit 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 (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. The Academy's significant accounting policies are described below.

2. Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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 Revenues, Expenses, and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows reflects how the Academy finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes.

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. Revenues resulting from non-exchange transactions, in which the Academy received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

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 cost (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.

C. Budgetary Process

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

2. Summary of Significant Accounting Policies (continued)

D. Cash

Cash received by the Academy is reflected as "cash" on the statement of net assets. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. The Academy did not have any investments during fiscal year ended June 30, 2012.

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 value as of the date donated. The Academy maintains a capitalization threshold of $1,000. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of leasehold improvements, and fixtures & equipment, is computed using the straight-line method over estimated useful lives of ten and seven to ten years, respectively. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenue. This program is recognized as operating revenues in the accounting period in which all eligibility requirements are met. Amounts awarded under the above program for the 2012 school year totaled $460,205.

Federal and state grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grant have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year 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. Federal & state grants revenue received during fiscal year 2012 was $322,646.

G. Accrued Liabilities

The Academy has recognized certain liabilities on its statement of net assets relating to expenses for goods and services received but unpaid as of June 30, 2012.

2. Summary of Significant Accounting Policies (continued)

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary activities. For the Academy, operating revenues include foundation payments and disadvantaged pupil impact aid received from the State of Ohio. Operating expenses are necessary costs incurred to support the Academy's primary activities, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary activities.

J. Estimates

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

3. Deposits

At June 30, 2012 the bank balance was $112,517 all of which was covered by the Federal Deposit Insurance Corporation (FDIC).

4. Intergovernmental Receivables

Receivables at June 30, 2012, consisted of $3,206 from the State of Ohio for the E-rate grant.

5. Capital Assets

A summary of the Academy's capital assets at June 30, 2012 follows:

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Capital Assets:				
Land & Improvements	$ 1,790	$ -	$ -	$ 1,790
Leasehold Improvements	21,001	-	-	21,001
Fixtures & Equipment	112,974	-	-	112,974
Total Assets	$ 135,765	$ -	$ -	$ 135,765
Depreciation:				
Leasehold Improvement	(12,373)	(1,641)	-	(14,014)
Equipment	(86,576)	(4,159)	-	(90,735)
Accumulated Depreciation	$ (98,949)	$ (5,800)	$ -	$(104,749)
Net Capital Assets	$ 36,816	$ (5,800)	$ -	$ 31,016

6. Risk Management

<u>Property and Liability</u>
The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2012, the Academy contracted with a company for property, general liability, auto, and excess liability insurance. Property coverage carries a $2,500 deductible and has a $1 million limit. Commercial general liability covers each single occurrence for $1 million with a $1 million general aggregate limit with a $2,500 deductible.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

<u>Worker's Compensation</u>
The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying total monthly gross payroll by a factor determined by the Bureau of Worker's Compensation.

6. Risk Management (continued)

Employee Insurance Benefits
The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 75% of the single coverage monthly premiums and the employee is responsible for the remaining 25% of the single coverage plus 100% of any additional coverage (i.e. single + one, family coverage) the employee chooses to purchase. For fiscal year 2012, the

Academy's and employee's premiums varied depending on insurance coverage selected, family size and ages of those covered. In addition, the Academy has contracted with a private carrier to provide dental and vision benefits. If the employee chooses to purchase dental or vision benefits, he/she is responsible for paying 100% of the monthly premium. These plans are Section 125 pre-tax cafeteria plans.

7. Purchased Services

During the fiscal ended June 30, 2012, purchased service expenses were as follows:

Purchased Services	
Professional Services	$ 141,581
Property Services	116,775
Other	26,622
Total	$ 284,978

8. Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description
The School contributes to the School Employees Retirement System (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 can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

8. Defined Benefit Pension Plans (continued)

Funding Policy
Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, 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 four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and

2010 were $6.560, $3,534 and $8,441, respectively, which equaled the required contributions for the year.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered 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 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.

The DB Plan benefits are established under Chapter 3307 of the Ohio 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 members' three

8. Defined Benefit Pension Plans (continued)

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% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the money-purchase benefit, members' lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount.

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. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. 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 members' designated beneficiary is entitled to receive the member's account balance.

Combined Plan offers features of the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined benefit portion of the Combined Plan is payable to members 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.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during 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.

8. Defined Benefit Pension Plans (continued)

For fiscal year ended June 30, 2012 members were required to contribute 10% of their annual covered salary and the Academy was required to contribute 14%. Member and employer contributions were 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 provided by Chapter 3307 of the Ohio Revised Code. Of the 14% contributed by the Academy, 13% was the portion used to fund pension obligations.

The Academy's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were $32,532, $54,580, and $58,675 respectively, which equaled the required contributions for the year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS/STRS Ohio have an option to choose Social Security or SERS/STRS Ohio. The Academy's liability is 6.2% of wages paid. No employees have elected to participate in Social Security.

9. Post-Employment Benefits

A. School Employee Retirement System

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.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in 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 statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was $99.90 for most participants, but could be as high as $319.70 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 2012, the actuarially required allocation is .75%. The Academy contributions for the years ended June 30, 2012, 2011 and 2010 were $394, $227, $406, respectively, which equaled the required contributions each year.

9. Post-Employment Benefits (continued)

Health Care Plan

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 HMOs, PPOs, 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, 2012, the health care allocation is .55%. 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. Statues provides 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 2012, 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. The Academy contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were $871, $428 and $1,608, respectively.

The SERS Retirement Board establishes the rules for the premium 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 Medicaid B plans are included in its Comprehensive Annual Financial Report. This report can be obtained on SERS Website at www.ohsers.org under Employer/Audit Resources.

9. Post-Employment Benefits (continued)

B. State Teachers Retirement System

Plan Description
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.

Funding Policy
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 2012, 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 years ended June 30, 2012, 2011, and 2010 were $2,502, $4,198, and $4,191, respectively; 100 percent have been contributed for fiscal years 2012, 2011, and 2010.

10. Contingencies

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. 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, 2012.

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.

11. Line of Credit

During the year, the Academy had a revolving bank line-of-credit with an interest rate of 5.25%. In Fiscal Year 2011 the Academy borrowed $28,000 for operating expenses and in Fiscal Year 2012 the Academy repaid $16,420 of the line-of-credit. The balance at June 30, 2012 was $11,580.

12. Management Agreement

On August 22, 2004, the Academy contracted with Akron Community School (ACS) to facilitate day-to-day operations of the Academy. 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 25, 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, 2012 and is reflected on the Statement of Net Assets as “Loan Payable”. There is no written agreement specifying 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 Revenue overpayments to Akron Community 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 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, 2012.

Summary of amounts due to and due from ACS:

	June 30, 2012
Accounts Receivable	$ (410)
Accounts Payable	10,548
Loan Payable	24,000
Net Due to Akron Comm. School	$ 34,138

13. Related Party Transactions

The Principal, Dr. Fannie Brown, is the Executive Director of Tutoring Nurtures Talent, Inc., a non-profit organization providing supplemental educational services to students. On November 28, 2011, the School entered into a contract with Tutoring Nurtures Talent, Inc. to provide supplemental educational services to students enrolled in the School. During fiscal year 2012, Tutoring Nurtures Talent, Inc., received $12,404 in compensation from the School for providing services.

14. Subsequent Events

On August 25, 2011 the Ohio Department of Education notified the Academy that it would cease operations as of June 30, 2012. The school made the following payments subsequent to June 30, 2012 as part of ceasing to operate:

Wages	$ 8,858
Purchased Services	6,110
Other	544
Principal & Interest and Other Fiscal Charges	12,367
Total Payments Subsequent to June 30, 2012	$27,879

The school had cash receipts of $14,744 for the sale of fixed assets at an auction held on July 14, 2012.

THIS PAGE INTENTIONALLY LEFT BLANK.

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

Lighthouse Educational Development Corporation
Summit County
c/o Richland Academy of the Arts
75 North Walnut Street
Mansfield, Ohio 44901

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Lighthouse Educational Development Corporation, Summit County, Ohio (the School) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 24, 2013, wherein we noted the School terminated operations as of June 30, 2012 and has certain amounts due to Akron Community School.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

May 24, 2013

Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Lighthouse Educational Development Corporation
Summit County
c/o Richland Academy of the Arts
75 North Walnut Street
Mansfield, Ohio 44901

To the Board of Directors:

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

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

> We noted the School did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.
>
> Ohio Rev. Code Section 3313.666 required the School to amend its definition by September 28, 2010.

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

This report is intended solely for the information and use of the Board of Directors and Richland Academy of the Arts and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

May 24, 2013

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

This page intentionally left blank.

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
JUNE 11, 2013