



Dave Yost • Auditor of State



LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lakeland Academy Community School  
Harrison County  
101 Main Street  
Freeport, Ohio 43973

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Lakeland Academy Community School, Harrison County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of Lakeland Academy Community School, Harrison County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the Academy adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 29, 2015

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The management's discussion and analysis of Lakeland Academy's (the "Academy"), formerly known as the North Central Academy – Tiffin, financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- In total, net position was \$58,713 at June 30, 2013.
- The Academy had operating revenues of \$242,335, operating expenses of \$190,353 and non-operating revenues of \$1,720 during the fiscal year. The total change in net position for the fiscal year was an increase of \$53,702.

**Using these Basic Financial Statements**

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

**Reporting the Academy's Financial Activities**

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

These documents look at all financial transactions to determine how well the Academy has performed financially through June 30, 2013. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in net position. This change in net position tells the reader whether, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The table below provides a summary of the Academy's net position for fiscal years 2013 and 2012.

	2013	2012
<b><u>Assets</u></b>		
Current assets	\$ 74,028	\$ 36,626
Total assets	74,028	36,626
<b><u>Liabilities</u></b>		
Current liabilities	15,315	31,615
Total liabilities	15,315	31,615
<b><u>Net Position</u></b>		
Restricted	729	83
Unrestricted	57,984	4,928
Total net position	\$ 58,713	\$ 5,011

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2013, the Academy's net position totaled \$58,713.

Current assets represent cash and prepayments. Current liabilities represent intergovernmental payables resulting from the State funding review conducted in fiscal year 2012. See Note 9.C to the basic financial statements.

The statement of revenues, expenses, and changes in net position show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year.



**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2013 and 2012.

	<b>Change in Net Position</b>	
	2013	2012
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 189,415	\$ 158,301
State foundation - special education	33,750	22,793
Sales / charges for services	-	2,019
Other	19,170	969
Total operating revenue	242,335	184,082
<b><u>Operating Expenses:</u></b>		
Purchased services	152,283	234,384
Materials and supplies	11,177	46,796
Other	26,893	34,804
Depreciation	-	33,496
Total operating expenses	190,353	349,480
<b><u>Non-operating Revenues:</u></b>		
Federal and State grants	1,482	73,765
Interest income	238	438
Total non-operating revenues	1,720	74,203
Income(Loss) before special item	53,702	(91,195)
Special item - loss on disposal of capital assets	-	(111,809)
Change in net position	53,702	(203,004)
Net position at beginning of period	5,011	208,015
Net position at end of period	\$ 58,713	\$ 5,011

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 91.44% of total operating and non-operating revenues during fiscal year 2013. Purchased services comprise 80.00% of operating expenses.

The increase in revenues relating to State foundation is primarily due to an increase in student enrollment which funding is tied. Student count affects the foundation, title funds, and special education funding.

The purchased services decreased from fiscal year 2012. This can be attributed to a decrease in the amount of services required by the Academy to provide to its students. The Academy operates using purchased services contracted with North Central Ohio Educational Service Center (the "ESC"). The Academy was able to control its costs from the prior year as well as limit the amount of services needed by the ESC.

The Academy's federal and state grants consisted of the Education Jobs grant, Title I grant, and IDEA Part B grants. Purchased service expenditures included the cost of educational services, including personnel, provided by the Sponsor.

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Capital Assets**

At June 30, 2013, the Academy did not have any capital assets. For more information on capital assets, see Note 5 to the basic financial statements.

**Current Financial Related Activities**

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. Fiscal year 2013 is the Academy's second year of operations as a conversion school serving children grades K-12.

The primary challenge today is the uncertainty of future funding. The fluctuation of the community school funding method, which bases monthly foundation payments on daily enrollment records of our students, make it a constant challenge to meet the needs of the Academy.

Pursuant to a Sponsorship Agreement, the North Central Ohio ESC is the fiscal agent of the Academy and provides all personnel to the Academy under a purchased service contract. In addition, the Sponsor reserves the right to provide such additional local resources as are necessary to reasonably ensure the operational viability of the Academy, including but not limited to: staff, equipment, instructional materials, curriculum, transportation, insurance coverage, and educational strategies as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

**Contacting the North Central Academy's Financial Management**

This financial report is designed to provide a general overview of the Lakeland Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mandy G. France, Treasurer, Lakeland Academy, Fiscal Office, 333 East Center Street, Marion, Ohio 43302.

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

STATEMENT OF NET POSITION  
JUNE 30, 2013

**Assets:**

Current assets:

Cash . . . . .	\$ 73,912
Prepayments . . . . .	<u>116</u>
Total assets. . . . .	<u>74,028</u>

**Liabilities:**

Current liabilities:

Intergovernmental payable . . . . .	<u>15,315</u>
Total liabilities . . . . .	<u>15,315</u>

**Net position:**

Restricted for:

Restricted for public school support . . . . .	55
Restricted for federal programs . . . . .	674
Unrestricted. . . . .	<u>57,984</u>
Total net position. . . . .	<u>\$ 58,713</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 189,415
State foundation - special education . . . . .	33,750
Other . . . . .	19,170
Total operating revenues . . . . .	242,335
 <b>Operating expenses:</b>	
Purchased services. . . . .	152,283
Materials and supplies . . . . .	11,177
Other. . . . .	26,893
Total operating expenses. . . . .	190,353
 Operating income . . . . .	 51,982
 <b>Non-operating revenues:</b>	
Federal and state grants . . . . .	1,482
Interest revenue . . . . .	238
Total nonoperating revenues . . . . .	1,720
 Change in net position . . . . .	 53,702
<b>Net position at beginning of year. . . . .</b>	<b>5,011</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 58,713</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 210,402
Cash received from other operations . . . . .	20,370
Cash payments for contractual services . . . . .	(140,254)
Cash payments for materials and supplies . . . . .	(11,177)
Cash payments for other expenses . . . . .	(27,009)
Net cash provided by operating activities. . . . .	<u>52,332</u>
 <b>Cash flows from noncapital financing activities:</b>	
Cash received from federal and state grants. . . . .	2,047
Net cash provided by noncapital financing activities. . . . .	<u>2,047</u>
 <b>Cash flows from investing activities:</b>	
Interest received . . . . .	238
Net cash provided by investing activities . . . . .	<u>238</u>
 Net increase in cash . . . . .	 54,617
<b>Cash at beginning of year . . . . .</b>	<b>19,295</b>
<b>Cash at end of year . . . . .</b>	<b><u>\$ 73,912</u></b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 51,982
Changes in assets and liabilities:	
Decrease in intergovernmental receivable . . . . .	1,200
Decrease in prepayments . . . . .	15,450
(Decrease) in accounts payable. . . . .	(3,537)
(Decrease) in intergovernmental payable . . . . .	(12,763)
Net cash provided by operating activities . . . . .	<u>\$ 52,332</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Lakeland Academy (the "Academy"), formerly known as the North Central Academy – Tiffin, is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of "at-risk" students aged 11-21 in grades 6-12. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution on May 14, 2009, with North Central Ohio Educational Service Center (the "Sponsor") for a period of two years commencing on July 1, 2009 with automatic renewals for successive one-year terms.

Pursuant to the Sponsor's authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor's assistant treasurer to serve as the Academy's fiscal officer. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for the fiscal year 2013 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant accounting policies are described below.

**A. Reporting Entity**

The following organizations are described due to their relationship to the Academy:

North Central Ohio Regional Council of Governments (NCORcog)

NCORcog is a legally separate body politic and corporate served by a eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The initial, founding members, and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

**B. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in Net Position, and a statement of cash flows.

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**C. 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 position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.



**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**E. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy'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 Revised Code Section 5705.

**F. Cash**

Cash held by the Academy is reflected as "cash" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2013, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**G. Inventory**

Purchased inventories are presented at the lower of cost or market value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption. The Academy had no material inventories at June 30, 2013.

**H. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The Academy has no capital assets.

**I. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position has been restricted for public school support and federally funded programs.

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

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales/charges for services. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**K. Intergovernmental Revenue**

The Academy has recently participated in the State Foundation Program through the Ohio Department of Education, the American Recovery and Reinvestment Act (ARRA) grants, the Education Jobs grant, the Race to the Top Grant, the Federal IDEA Part B grant, the Federal Title I grant, the Improving Teacher Quality Title II-A grant and the Title II-D Technology Grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. The Academy reported State foundation revenue and State foundation funding for special education of \$189,415 and \$33,750, respectively, during fiscal year 2013. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 and State grant revenue for the fiscal year 2013 was \$1,482.

**L. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concept of net position

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Academy.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2013, the carrying amount of the Academy's deposits was \$73,912. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the Academy's entire bank balance of \$76,165 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 5 - CAPITAL ASSETS**

The Academy did not have any capital assets for the fiscal year ended June 30, 2013.

**NOTE 6 - RECEIVABLES**

The Academy did not have any intergovernmental receivables at June 30, 2013.

**NOTE 7 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2013, purchased services expenses were as follows:

Professional and technical services	\$ 145,483
Property services	232
Travel and meetings	247
Communications	1,475
Utilities	<u>4,846</u>
Total	<u>\$ 152,283</u>

**NOTE 8 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2013, the Academy was named as an additional insured party on the Sponsor's insurance policy. The Academy provides \$25,000 in employee bond coverage for the Treasurer.

**NOTE 9 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The Academy receives per pupil funding that is reported using the School Options Enrollment System. Each month the Ohio Department of Education uses the student information to adjust and validate the foundation funding of the Academy based on the current enrollment.

**B. Litigation**

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

**LAKELAND ACADEMY COMMUNITY SCHOOL  
HARRISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 9 - CONTINGENCIES - (Continued)**

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data 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 fiscal year 2012 review resulted in a liability of \$28,078 at June 30, 2012. During fiscal year 2013, the Academy paid \$12,763 of this liability leaving a remaining balance of \$15,315 at June 30, 2013. This amount will be paid in fiscal year 2014. The Academy does not anticipate a significant adjustment to State funding as a result of the fiscal year 2013 review.

**NOTE 10 - SERVICE AGREEMENT**

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$145,591 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2013.

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# Dave Yost • Auditor of State

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

Lakeland Academy Community School  
Harrison County  
101 Main Street  
Freeport, Ohio 43973

To the Board of Education:

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 Lakeland Academy Community School, Harrison County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 29, 2015, wherein we noted the Academy has adopted Governmental Accounting Standards Board Statement Nos. 63 and 65.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy'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 Academy'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 Academy's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 29, 2015





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Lakeland Academy Community School  
Harrison County  
101 Main Street  
Freeport, Ohio 43973

To the Board of Education:

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 Lakeland Academy Community School, Harrison County, Ohio (the Academy) 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.

1. We noted the Academy passed its anti-harassment policy at its meeting on September 9, 2013 to include prohibiting harassment, intimidation, or bullying of any student by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 29, 2015

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# Dave Yost • Auditor of State

LAKELAND ACADEMY COMMUNITY SCHOOL

HARRISON 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 23, 2015