LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

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 Trustees:

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, 2007, 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 that 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, 2007, 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 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.

As described in Note 15 to the financial statements, the School is experiencing certain financial difficulties. Management's plans in regard to this matter are also described in Note 15.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008 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.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2008

Lighthouse Educational Development Corporation
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

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, 2007 (FY 07). 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 2007 are as follows:

Total net assets decreased $120,002 in 2007.

Total revenue was $973,406 in 2007.

Total expenses were $1,093,408 in 2007.

Total liabilities increased $118,353 with total assets decreasing $1,649 in 2007.

Lighthouse has no long term debt at June 30, 2007.

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 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 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answers 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 page 4. 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 2007 compared to the prior year:

Table 1
Net Assets

	2007	2006
ASSETS		
Current Assets	$53,452	$33,294
Capital Assets	57,268	79,075
Total Assets	110,720	112,369
LIABILITIES:		
Current Liabilities	207,287	88,934
Total Liabilities	207,287	88,934
NET ASSETS:		
Invested in Capital Assets	57,268	79,075
Unrestricted (Deficit)	(153,835)	(55,640)
Total Net Assets (Deficit)	($96,567)	$23,435

Total net assets decreased $120,002. The primary reason for this decrease is that Lighthouse's revenue decreased by $800,284 from 2006 to 2007. This revenue decrease is due to a reduction in students.

Current assets increased from $33,294 in 2006 to $53,452 in 2007. The major reason for this increase is intergovernmental receivable is higher than the prior year's.

Total Assets decreased from $112,369 in 2006 to $110,720 in 2007. The reason for the decrease in Total Assets is due to the sale of a van, therefore reducing depreciable capital assets, net.

Liabilities increased by $118,353. This increase for 2007 is due primarily to an increase in accounts payable, accrued wages, and a line of credit being utilized. The net impact was a decrease in net assets of $120,002.

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 70 percent of revenues for Lighthouse in fiscal year 2007. Grant revenues decreased primarily due to an overall decrease in students 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
Changes in Net Assets

	2007	2006
Operating Revenues:		
Foundation	$680,378	$1,476,361
Food Service	4,787	186
Other Operating Revenue	24,652	27,468
Non-Operating Revenues:		
Interest	0	946
Grants	263,589	268,729
Total Revenue	973,406	1,773,690
Operating Expenses:		
Salaries	476,043	829,809
Fringe Benefits	165,950	333,700
Purchased Service	370,641	469,471
Materials and Supplies	53,099	49,706
Depreciation	14,228	21,237
Other	10,650	13,558
Non-Operating Expenses:		
Interest Expense	717	7,192
Loss on Disposal of Capital Assets	2,080	28,444
Total Expenses	1,093,408	1,753,117
Increase (Decrease) in Net Assets	(120,002)	20,573
Net Assets Beginning of Year	23,435	2,862
Net Assets (Deficit) End of Year	($96,567)	$23,435

Total revenues decreased from $1,773,690 in 2006 to $973,406 in 2007. The primary reason for this decrease was due to less foundation revenue due to fewer students from closing the downtown campus and discontinuing sixth through eighth grade classes.

Total expenses decreased from $1,753,117 in 2006 to $1,093,408 in 2007. The primary reason for this decrease was due to fewer salaries and fringe benefits due to reduced staff from closing the downtown campus and discontinuing sixth through eighth grade classes.

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). This requirement is prescribed by the Ohio Department of Education through each sponsor. Accordingly, Lighthouse's budget is prepared and approved according to a ridged 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 2007, Lighthouse had $57,268 in net capital assets. See Note 6 for additional information.

Liabilities

At June 30, 2007 Lighthouse had $207,287 in total liabilities. Most of this is accounts payable, accrued wages, intergovernmental payable, loan payable, and line of credit payable. Lighthouse has a no long term debt at June 30, 2007.

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.

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Net Assets
June 30, 2007

Assets	
Current:	
Cash and Cash Equivalents	$19,635
Receivables:	
Accounts Receivable	410
Intergovernmental Receivable	33,007
Security Deposit	400
Total Current Assets	53,452
Noncurrent:	
Capital Assets:	
Non-Depreciable Capital Assets	1,790
Depreciable Capital Assets, Net	55,478
Total Capital Assets	57,268
Total Assets	110,720
Liabilities	
Current Liabilities:	
Accounts Payable	70,137
Accrued Wages and Benefits	34,791
Deferred Revenue	360
Intergovernmental Payable	28,409
Line of Credit Payable	49,590
Loan Payable	24,000
Total Liabilities	207,287
Net Assets	
Invested in Capital Assets	57,268
Unrestricted (Deficit)	(153,835)
Total Net Assets	($96,567)

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

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2007

Operating Revenues:	
Foundation	$680,378
Food Service	4,787
Miscellaneous	24,652
Total Operating Revenues	709,817
Operating Expenses:	
Salaries	476,043
Fringe Benefits	165,950
Purchased Services	370,641
Materials and Supplies	53,099
Depreciation	14,228
Other	10,650
Total Operating Expenses	1,090,611
Operating (Loss)	(380,794)
Non-Operating Revenues (Expenses):	
Grants	263,589
Interest Expense	(717)
Loss on Disposal of Capital Assets	(2,080)
Net Non-Operating Revenues (Expenses)	260,792
Change in Net Assets	(120,002)
Net Assets at Beginning of Year	23,435
Net Assets at End of Year	($96,567)

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

Lighthouse Educational Development Corporation
Summit County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State Foundation	$680,378
Other Cash Receipts	36,740
Cash Payments to Employees for Services	(448,951)
Cash Payments for Employee Benefits	(176,047)
Cash Payments for Goods and Services	(375,962)
Other Cash Payments	(10,650)
Net Cash (Used for) Operating Activities	(294,492)
Cash Flows from Noncapital Financing Activities	
Grants Received	234,035
Proceeds from Line of Credit	50,000
Principal Payment	(410)
Interest Payments	(717)
Net Cash Provided by Noncapital Financing Activities	282,908
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of Capital Assets	5,500
Net Cash Provided by Capital and Related Financing Activities	5,500
Net Decrease in Cash and Cash Equivalents	(6,084)
Cash and Cash Equivalents Beginning of Year	25,719
Cash and Cash Equivalents End of Year	$19,635
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
Operating (Loss)	($380,794)
Adjustments:	
Depreciation	14,228
(Increase) Decrease in Assets:	
Prepaids	3,312
Increase (Decrease) in Liabilities:	
Accounts Payable	39,244
Accrued Wages	29,000
Deferred Revenue	(780)
Intergovernmental Payable	1,298
Net Cash (Used for) Operating Activities	($294,492)

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

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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 specify 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 three non-certified and ten certified full-time teaching personnel who provide services to 96 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, vehicles, 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
Computers, Office Equipment and Vehicles	7
Leasehold Improvements	10
Furniture	10

Intergovernmental Revenues

The School currently participates in several State and Federal programs:

Non-Reimbursable Grants
Management Information Systems
Drug Free Schools
Early Childhood Development
E Tech
Idea Part B
Improving Teacher Quality
School Net Professional Development
Title I
Title II-D
Title V

Reimbursable Grants
National School Lunch 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.

Accrued Liabilities

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

Use of Estimates

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio Revenue Code Section 5705.391(A) and Ohio Administrative Code Section 3301-92-04, the School has not developed a five year projection.

NOTE 4 - DEPOSITS

At year-end, the carrying amount of the School's deposits were $19,635 and the bank balance was $30,584. 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 $33,007 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, 2007, follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
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
Vehicles	20,000	0	(20,000)	0
Fixtures and Equipment	99,167	0	0	99,167
Total Capital Assets, Being Depreciated	135,256	0	(20,000)	115,256
Less Accumulated Depreciation:				
Leasehold Improvements	(1,032)	(1,448)	0	(2,480)
Vehicles	(12,421)	0	12,421	0
Fixtures and Equipment	(44,518)	(12,780)	0	(57,298)
Total Accumulated Depreciation	(57,971)	(14,228)	12,421	(59,778)
Total Capital Assets, Being Depreciated, net	77,285	(14,228)	(7,579)	55,478
Total Capital Assets, net	$79,075	($14,228)	($7,579)	$57,268

NOTE - 7 PURCHASED SERVICES

For the period July 1, 2006 through June 30, 2007, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	$ 134,309
Property Services	120.238
Travel and Meetings	1,080
Communications	9,913
Utility Services	17,151
Contracted Services	87,950
Total	$ 370,641

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 2007, 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 2007, 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. The School provides life insurance to all employees through a private carrier. Coverage in the amount of $15,000 is provided for all certified and non-certified employees.

NOTE 10 - RETIREMENT PLANS

School Employees Retirement System - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 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, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of the annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School's required contributions to SERS Ohio for the fiscal years ended June 30, 2007, 2006 and 2005 were $8,085, $6,962, and $11,518, respectively; 95.89 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 is $332.

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly 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 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 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated 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 Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – 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 percent 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 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent 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 percent instead of 2.2 percent. 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 – 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 percent are placed in an investment account. The member determines how to allocate the member and employer money among nine 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.

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 one percent 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 and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. 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 Defined Benefit 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 Defined Benefit 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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, were 10 percent of covered payroll for members and 14 percent for employers. The School's required contributions to STRS Ohio for the fiscal years ended June 30, 2007, 2006 and 2005 were $54,666, $99,321, and $99,034, respectively. 91.7 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. Member and employer contributions actually made for Defined Contribution and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report.

Additional information or copies of STRS Ohio's 2007 *Comprehensive Annual Financial* Report can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or 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 - The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to provided health care benefits. At June 30, 2007, the healthcare allocation was 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2007, the minimum pay was established as $35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund.

The School's actual contributions which were used to fund postemployment benefits, including surcharge, equaled $1,975 during the 2007 fiscal year.

The Health care benefits are financed on a pay as you go basis. Net health care costs for the year ending June 30, 2006 (the latest information available) were $158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2006 (the latest information available) the value of the health care fund was $295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 59,492.

State Teachers Retirement Systems - STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The School's actual contributions which were used to fund postemployment benefits equaled $3,905 during the 2007 fiscal year.

The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 (the latest information available) and June 30, 2006, the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $4.1 billion on June 30, 2007.

For the year ended June 30, 2007 (the latest information available), net health care costs paid by STRS Ohio were $265,558,000. There were 122,934 eligible benefit recipients.

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, 2007.

LITIGATION – A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #:3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The Suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

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 were no adjustments to the DPIA program and enrollment review during fiscal year 2007. The effect of any other reviews cannot be determined.

NOTE 13 – LINE OF CREDIT

During the year, the School had a revolving bank line-of-credit with an interest rate of 10.2%. The School borrowed $50,000 and repaid a total of $410 from this account, and paid interest expense of $717. There is an outstanding liability of $49,590 for the line-of-credit at June 30, 2007. There is no required repayment schedule.

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, 2007 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. Since Akron Community School paid this revenue to Lighthouse Academy as a management fee, this revenue is due back ACS. 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, 2007.

Summary of amounts due to and due from ACS at June 30, 2007:

	June 30, 2007
Accounts Receivable	$(410)
Accounts Payable	10,548
Loan Payable	24,000
Nets Amount Due to Akron Community School	$34,138

NOTE 15 – NEGATIVE NET ASSET BALANCE

The School is having difficulties meeting operational expenses. As of June 30, 2007, the School had a negative net asset balance of $96,567.

Management has developed a plan to scrutinize and monitor the School’s expenses on a more regular basis. Management has developed a plan to pay down their line of credit payable.

Management has been working with their new fiscal agent since July 1, 2007 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 EVENT

Effective July 1, 2007, the School contracted with Charter School Specialists, LLC to perform Treasurer duties.

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Mary Taylor, CPA
Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Lighthouse Educational Development Corporation, Summit County, Ohio (the School) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated June 5, 2008 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 expressing our opinion on the financial statements, but not to opine 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.

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: Findings 2007-003 through 2007-008.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-005 is also a material weakness.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated June 5, 2008.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated June 5, 2008.

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

We intend this report solely for the information and use of management, the Board of Trustees, and Richland Academy of the Arts. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2008

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Noncompliance Citation

Finding for Recovery

Contract for Ohio Community School, Attachment 2.7, Section 5 indicates as compensation for all consulting services to be rendered by Richland Academy of the Arts (the Consultant) to and on behalf of Lighthouse Community and Professional Development Academy (the Corporation) under this agreement, the Corporation shall pay to the Consultant the sum of 20% of all gross Community School Average Daily Membership (CSADM) funds in monthly installments commencing on July 1, 2006 and continuing on the first day of each month thereafter during the term of the agreement. During the 2007 fiscal year, pursuant to Section 8 of attachment 2.7, Richland Academy of the Arts subcontracted with Innovative Learning Solutions (ILS) to provide these consulting services to Lighthouse Academy. On April 18, 2007 Richland Academy verbally notified Lighthouse Academy, effective July 1, 2007, it will no longer serve as fiscal agent for the School.

During the period of July 1, 2006 through July 31, 2007, the School paid $140,625.18 to Innovative Learning Solutions (ILS) for consulting services. However, 20% of all gross CSADM funds for July 2006 through June 2007 amounted to $139,628.83; as a result, ILS was overpaid by $996.35. During this period ILS provided fiscal agent services to Lighthouse Academy, and Dale A. Thompson served as the licensed School Treasurer for ILS and functioned as the treasurer for Lighthouse Academy.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Innovative Learning Solutions, Inc. and Dale A. Thompson, Lighthouse Academy's Treasurer, jointly and severally, in the amount of $996.35, and in favor of Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy, in the amount of $996.35.

Dale A. Thompson shall be secondarily liable for such overpayment to the extent that recovery or restitution is not obtained from Innovative Learning Solutions, Inc.

Officials' Response: We, as a board, are going to pursue this finding with the Summit County Prosecutor.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.391(A) and Ohio Admin. Code Section 3301-92-04 require school districts, including community schools, to prepare five year projections of revenues and expenditures. The five year projections must be submitted to the Department of Education upon the adoption of an annual appropriation measure but no later than October 31 of each fiscal year and an updated five year projection must be submitted between April 1 and May 31 of each fiscal year.

The School did not develop a five year projection. Additionally, we could not find evidence that the five year projection was submitted to the Department of Education during the appropriate time periods.

The School should prepare a five year projection and submit it to the Department of Education no later than October 31 and an updated version between April 1 and May 31 of the fiscal year. The School should also retain documentation they submitted the five year projection.

Officials' Response: We have complied with this in 2008 with a change in fiscal agents.

FINDING NUMBER 2007-003

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 149.43(B) indicates all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection.

During our testing, we noted the School was unable to provide us with the following items:

- Payroll journals and timesheets for the July 25 and August 10, 2006 pay dates;
- Supporting invoices for 3 of 60 (5.0%) non-payroll expenditures selected for testing;
- Supporting invoices for 1 of 33 (3%) non-payroll expenditures selected for accounts payable testing;

Although these records were not provided, we were able to perform alternative procedures. Additionally, the School has not developed a formal public records policy detailing their procedures for fulfilling these public records requests.

A key control in record keeping is to ensure all public records are maintained in an orderly manner to minimize the likelihood of records being lost or misplaced and readily available for a public records request. Missing records increases the likelihood of material financial statement amounts not being reported accurately since there is no supporting documentation for how the amounts are reported.

The School should develop a formal policy regarding procedures for making public records available, including copy costs. Additionally, the School should implement procedures to ensure its public records are maintained in such a manner they can be made available for inspection. These recommendations will help the School ensure it is in compliance with the Ohio Revised Code.

Officials' Response: We are in the process of establishing a public records policy. We are keeping copies of all records on site.

FINDING NUMBER 2007-004

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(D) requires all local public offices to maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

(1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

(2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

(3) Payroll records including:

   a. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments; and

   b. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

During 2007, $37,625 in revenues and $47,464 in expenses were processed through a checking account which was not part of the School's regular accounting system ("USAS"). Additionally, detailed accounting records supporting this activity were not maintained during the fiscal year. The School should process all of its financial activity through its regular accounting system to help ensure detailed records are created and maintained in accordance with Ohio Admin. Code Section 117-2-02(D). A key control in maintaining accurate financial records is to ensure all financial activity is timely and accurately recorded. Financial statements could be materially misstated by processing financial activity through a system other than the main accounting system. The financial statements were adjusted to reflect the amounts noted above.

Officials' Response: We have changed fiscal agents to ensure that all financial activity is timely and accurately recorded.

FINDING NUMBER 2007-005

Material Weakness

Bank Reconciliations

During the year, the School only performed a bank to book reconciliation for the month of June 2007. In addition, the Board only received financial reports in November, December, January, and May. This could allow for material reconciling errors remaining undetected for a long period of time resulting in material financial statement errors.

FINDING NUMBER 2007-005 (Continued)

Material Weakness

Bank Reconciliations

The School should ensure the monthly bank reconciliations are prepared timely (i.e., soon after the monthly bank statement is received) and presented as part of the monthly financial report to the Board. The bank reconciliations should include the detail of all reconciling items. The Board should receive a budget to actual revenue and expenditure report, including fund balance status report at month-end, in order to effectively monitor the School's financial position. These procedures may help ensure the School detects errors or irregularities timely.

It is the responsibility of the Board to monitor the School's financial position. As a part of the monitoring process, the Board should receive monthly financial reports and approve monthly financial reports as a formal board action.

Officials' Response: We have changed fiscal agents and are currently receiving financial reports on a monthly basis.

FINDING NUMBER 2007-006

Significant Deficiency

Akron Community Schools – Assets and Liabilities

As disclosed in Note 14 to the Financial Statements the School owes a net amount of $34,138 to Akron Community School, a former community school. In addition, the School assumed use of certain assets (computers, furniture and equipment) with an initial acquisition cost of $13,061 (fully depreciated) from Akron Community School when it ceased operating. These assets were not formally purchased from Akron Community School and permission to retain these assets was not obtained from the Ohio Department of Education upon Akron Community School's closure.

The School should make arrangements with the Ohio Department of Education to settle the liability due to Akron Community School and formally acquire the Akron Community School residual capital assets.

This matter will be referred to the Ohio Department of Education.

Officials' Response: We will work with ODE to settle the liability.

FINDING NUMBER 2007-007

Significant Deficiency

Payroll Controls

While testing payroll disbursements, we noted the following:

The Board authorized the employment of two individuals during July 2006 to prepare the School's building for the 2006-2007 school year. However, the Board did not indicate the amount of compensation each would receive. Additionally, the Board approved the contracts for all staff for the 2006-2007 school year at the same rates as the previous year, but did not specifically state names and pay rates for each staff member. The Board should specifically approve the hiring and compensation of each employee. This can be done specifically in the body of the Board minutes or as an attached listing.

FINDING NUMBER 2007-007 (Continued)

Significant Deficiency

Payroll Controls

Three employees of the School's consulting services provider, Innovative Learning Solutions (ILS), were paid a total of $17,318 in gross salaries and employer benefits over 10 bi-weekly pay periods. The School was eventually reimbursed by ILS for the entire amount. However, neither the Board nor the School's Principal or Fiscal Officer detected these errors in timely manner. The Principal or Fiscal Officer should review the School's bi-weekly payroll registers to help ensure only valid employees are being paid and at appropriate rates. Additionally, the Board should review monthly payroll reports to help ensure the accuracy and accountability of payroll expenses. All three employees received improper State Teachers Retirement System of Ohio (STRS) service credit as a result of this error; as such, this matter has been referred to STRS.

Officials' Response: STRS and the new fiscal agent are working to resolve this.

FINDING NUMBER 2007-008

Significant Deficiency

Principal's Check Signing Authority

On June 14, 2006, the Board of Directors passed a resolution to allow the Principal of the School to have check signing authority up to $500.

On September 15, 2006, five checks for $500 each (a total of $2,500) were written to an employee for painting the interior of the School. The five checks essentially represent one transaction in the amount of $2,500, which would require the signature of two Board members.

The Principal of the School should only write checks for transactions up to $500. If a transaction exceeds $500, two Board members should sign the check, indicating their approval of the expenditure.

Officials' Response: The Principal had verbal approval from the board for this action. The account has been closed.

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	Akron Community Schools (ACS) Assets and Liabilities - a loan to ACS was not repaid, ACS' assets were not formally purchased, and permission to retain the assets was not obtained from the Ohio Department of Education upon ACS' closure.	No	Not Corrected, see finding 2007-006.

Mary Taylor, CPA
Auditor of State

LIGHTHOUSE EDUCATIONAL DEVELOPMENTAL 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
JULY 15, 2008

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