

LAKELAND ACADEMY
COMMUNITY SCHOOL
HARRISON COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023





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Columbus, Ohio 43215
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800-282-0370

Board of Directors
Lakeland Academy Community School
101 E. Main Street
Freeport, OH 43973

We have reviewed the *Independent Auditor's Report* of the Lakeland Academy Community School, Harrison County, prepared by Rea & Associates, Inc., for the audit period July 1, 2022 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lakeland Academy Community School is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

June 23, 2025

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**Lakeland Academy Community School
Harrison County, Ohio**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakeland Academy Community School
Harrison County, Ohio
101 E. Main Street
Freeport, OH 43973

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lakeland Academy Community School, Harrison County, Ohio, (the "Academy"), as of and for the ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Lakeland Academy Community School, Harrison County, Ohio, as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the basic financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Pension and Other Post-Employment Benefit Schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2025 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
February 26, 2025

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The discussion and analysis of the Lakeland Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2023. 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 financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2023 are as follows:

- In total, net position was \$245,174 at June 30, 2023.
- The Academy had operating revenues of \$694,057 and operating expenses of \$873,351 for fiscal year 2023.
- The Academy also received \$42,222 in non-operating revenue and had \$8,297 in nonoperating expenses during fiscal year 2023.
- Total change in net position for fiscal year 2023 was a decrease of \$145,369, from a beginning balance of \$390,543 to a balance of \$245,174. The Academy leased a building during fiscal year 2023.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those 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 and ask the question, "How did we do financially during fiscal year 2023?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 that position. This change in net position is important because it tells the reader that, 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.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The table below provides a summary of the Academy's net position at June 30, 2023 and 2022.

	Net Position	
	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets	\$ 181,100	\$ 322,606
Capital assets, net	<u>217,771</u>	<u>77,339</u>
Total assets	<u>398,871</u>	<u>399,945</u>
<u>Liabilities</u>		
Current liabilities	36,757	9,402
Non-current liabilities:		
Other amounts due in more than one year	<u>116,940</u>	<u>-</u>
Total liabilities	<u>153,697</u>	<u>9,402</u>
<u>Net Position</u>		
Net investment in capital assets	66,608	73,936
Restricted	36,439	39,876
Unrestricted	<u>142,127</u>	<u>276,731</u>
Total net position	<u>\$ 245,174</u>	<u>\$ 390,543</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net position of the Academy decreased \$145,369, which represents a 37.22% decrease from net position at June 30, 2022. The unrestricted net cash position of \$142,127 may be used for the Academy's ongoing operations.

At year-end, capital assets represented 54.60% of total assets. Capital assets consisted of land, buildings, and intangible right to use assets. Net investment in capital assets at June 30, 2023, was \$66,608. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The table below shows the changes in net position for fiscal year 2023 and 2022.

Change in Net Position

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues:</u>		
Foundation payments	\$ 691,861	\$ 658,381
Other	2,196	-
Total operating revenue	<u>694,057</u>	<u>658,381</u>
<u>Operating Expenses:</u>		
Purchased services	747,891	684,960
Materials and supplies	56,096	102,031
Other	28,727	13,992
Depreciation/Amortization	40,637	41,683
Total operating expenses	<u>873,351</u>	<u>842,666</u>
<u>Non-operating Revenues (Expenses):</u>		
Grants and subsidies	42,222	369,178
Interest and fiscal charges	(8,297)	(1,089)
Total non-operating revenues (expenses)	<u>33,925</u>	<u>368,089</u>
Change in net position	(145,369)	183,804
Net position at beginning of year	<u>390,543</u>	<u>206,739</u>
Net position at end of year	<u><u>\$ 245,174</u></u>	<u><u>\$ 390,543</u></u>

The Academy's non-operating revenues were \$42,222 and operating revenues were \$694,057. Operating expenses were \$873,351 and nonoperating expenses were \$8,297. The net position of the Academy decreased \$145,369. The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation basic aid. State foundation basic aid attributed to 94.0% of total operating and non-operating revenues during fiscal year 2023.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the Academy had \$217,771 invested in capital assets, net of depreciation/amortization. See Note 10 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2023, the Academy had \$151,163 in leases payable outstanding. Of this total, \$34,223 is due within one year. See Note 11 to the basic financial statements for more detail on long-term obligations.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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. In fiscal year 2012, the Academy began operations as a conversion school serving children in 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, makes it a constant challenge to meet the needs of the Academy.

The Jefferson County Educational Service Center is the fiscal agent of the Academy and provides all personnel to the Academy under a purchased services agreement. In addition, the Jefferson County ESC provides EMIS coordinator, internet technology, building and grounds, and Erate services under purchased service agreements. During FY23 the ESC also provided Federal Program Coordinator Services.

The United States and the State of Ohio declared a state of emergency in March 2021 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the 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 Ethan Tice, Community School Treasurer, 2023 Sunset Blvd, Steubenville, Ohio 43952.

BASIC
FINANCIAL STATEMENTS

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**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2023

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 179,171
Receivables:	
Intergovernmental	1,929
Total current assets	<u>181,100</u>

Non-current assets:

Land	8,326
Capital assets, net of depreciation/amortization	209,445
Total non-current assets	<u>217,771</u>

Total assets	<u>398,871</u>
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Liabilities:

Current liabilities:

Intergovernmental payable	1,890
Leases payable	34,223
Accrued interest payable	644
Total current liabilities	<u>36,757</u>

Non-current liabilities:

Leases payable due in more than one year	116,940
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Total liabilities	<u>153,697</u>
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Net position:

Investment in capital assets	66,608
Restricted for state programs	22,767
Restricted for federal programs	13,672
Unrestricted	142,127
Total net position	<u>\$ 245,174</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating revenues:	
Foundation payments	\$ 691,861
Other	2,196
Total operating revenues	<u>694,057</u>
Operating expenses:	
Purchased services	747,891
Materials and supplies	56,096
Other	28,727
Depreciation/amortization expense	40,637
Total operating expenses	<u>873,351</u>
Operating loss	<u>(179,294)</u>
Non-operating revenues (expenses):	
Federal and state grants	42,222
Interest and fiscal charges	(8,297)
Total non-operating revenues (expenses)	<u>33,925</u>
Change in net position	(145,369)
Net position at beginning of year	<u>390,543</u>
Net position at end of year	<u><u>\$ 245,174</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Cash received from state foundation	\$ 689,882
Cash received from other operations	2,196
Cash payments for contractual services	(751,936)
Cash payments for materials and supplies	(56,096)
Cash payments for other expenses	(28,727)
	<hr/>
Net cash used in operating activities	(144,681)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	119,376
	<hr/>
Net cash provided by noncapital financing activities	119,376
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(7,667)
Principal retirement on lease payable	(33,309)
	<hr/>
Net cash used in capital and related financing activities	(40,976)
Net decrease in cash and cash equivalents	(66,281)
Cash and cash equivalents at beginning of year	245,452
Cash and cash equivalents at end of year	<u><u>\$ 179,171</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (179,294)
Adjustments:	
Depreciation/amortization	40,637
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(1,929)
(Decrease) in accounts payable	(4,585)
Increase in intergovernmental payable	490
	<hr/>
Net cash used in operating activities	<u><u>\$ (144,681)</u></u>
Non Cash Transaction:	
During the year the Academy initiated a building lease and has recorded a right to use asset building in the amount of \$181,069 in accordance with GASB 87.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Lakeland Academy (the “Academy”), is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students served in grades K - 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 in fiscal year 2012, with North Central Ohio Educational Service Center for a period of five years ending on June 30, 2017 and extended through June 30, 2020. Effective July 2, 2021, the Academy was approved for sponsorship under contract resolution with the Educational Service Center of Lake Erie West (the “Sponsor”) for a period of two-year period commencing on July 1, 2020 and ending on June 30, 2022. The sponsorship agreement has been renewed through June 30, 2025.

The Sponsor has a signed contract agreement with the Academy that includes state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. 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 Academy pays up to a 3% sponsorship fee for oversight and monitoring, the amount paid to the Sponsor for the sponsorship fee was \$19,174 for 2023.

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 more significant of the Academy’s policies are described below.

A. Reporting Entity

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

North Central Ohio Regional Council of Governments

North Central Ohio Regional Council of Governments (the “COG”) is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of Regional Council of Governments under Chapter 167 of the Ohio Revised Code. The COG 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.

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 the 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 fiscal agent. The COG 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.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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. The Academy uses enterprise accounting to track and report its financial activities. Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

C. 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 on the accrual basis when the exchange takes place.

Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations are 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.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). 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; therefore, no budgetary information is presented in the basic financial statements.

E. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets plus deferred outflows and all liabilities plus deferred inflows are included on the statement of net position. The statement of revenues, expenses and changes in net position presents 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.

F. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy did not report any deferred outflows of resources in fiscal year 2023.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Academy did not report any deferred inflows of resources in fiscal year 2023.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

G. Cash

Cash held by the Academy is reflected as “cash” on the statement of net position. All monies received by the Academy are deposited in a demand deposit accounts. During fiscal year 2023, the Academy had no investments.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Academy maintains a capitalization threshold of \$5,000. The Academy does not possess any infrastructure. Improvements are capitalized; however, 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	6 - 15 years
Intangible leased asset	5 years

The Academy is reporting intangible right to use assets related to leased buildings. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

J. Intergovernmental Revenue

The Academy has recently participated in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant and the Supporting Effective Instruction Title II-A grant, Title I Improving Basic Programs, Title IV-A Student Support and Academic Enrichment, the Coronavirus Relief Fund grant, and the Elementary and Secondary Education Emergency Relief grant. The Academy also received funding from the State of Ohio for Summer School Remediation, Student Wellness and Success, and Data Communication. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which payment is received by the Academy. Foundation payments and other operating revenue for the fiscal year 2023 amounted to \$691,861.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as nonoperating revenues in the accounting period in which payment is received by the Academy. The Academy received \$42,222 in grants and entitlements during fiscal year 2023.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

K. Accrued Liabilities Payable

The Academy has recognized certain liabilities on the statement of net position relating to expenses, which are due, but unpaid as of June 30, 2023 including:

Intergovernmental payable - payments due to other governments associated with services rendered during fiscal year 2023 that were paid in the subsequent fiscal year.

L. 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/amortization, 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.

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy’s primary mission. For the Academy, these revenues are primarily State of Ohio foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Operating expenses include, salaries and wages, fringe benefits, purchased services, material and supplies, depreciation and other miscellaneous expenses. Revenues and expenses not meeting these definitions are reported as non-operating.

N. 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.

O. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Trustees and that are either unusual in nature or infrequent in occurrence. During fiscal year 2023, the Academy had neither type of transaction.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2023, the Academy has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Academy.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Academy.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The notes to the basic financial statements include the disclosure requirements under the Statement. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Academy.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the Academy.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Academy.

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4 - DEPOSITS

At June 30, 2023, the carrying amount of Academy deposits was \$179,171 and the bank balance of Academy deposits was \$186,039. The entire bank balance, of \$186,039 was covered by the FDIC. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - PURCHASED SERVICES

For the fiscal year ended June 30, 2023 purchased services expenses were as follows:

Professional and technical services	\$ 694,465
Property services	30,013
Travel and meetings	899
Communications	10,208
Utilities	11,983
Other	<u>323</u>
Total	<u>\$ 747,891</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2023, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables:	<u>Amount</u>
Other amounts	<u>\$ 1,929</u>

NOTE 7 - 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. During the fiscal year 2023, the Academy contracted for various types of insurance through Liberty Mutual Insurance.

Settled claims have not exceeded this coverage in any of the past three years. There have been no significant reductions in coverage from last year.

NOTE 8 - 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, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 9 - SERVICE AGREEMENT

The Academy entered into service agreements effective August 1, 2019 with the Jefferson County Educational Service Center for staffing, EMIS coordinator, internet technology, building and grounds and Erate services. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$642,838 to the Jefferson County ESC for educational, fiscal and administrative services for the fiscal year ended June 30, 2023.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the Academy for the fiscal year ended June 30, 2023, was as follows:

	Balance <u>06/30/22</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/23</u>
Business-type activities:				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 8,326	\$ -	\$ -	\$ 8,326
<i>Capital assets, being depreciated/amortized:</i>				
Buildings and improvements	67,364	-	-	67,364
Intangible right to use:				
Leased building	<u>43,332</u>	<u>181,069</u>	<u>(43,332)</u>	<u>181,069</u>
Total capital assets, being amortized	<u>110,696</u>	<u>181,069</u>	<u>(43,332)</u>	<u>248,433</u>
<i>Less: accumulated depreciation/amortization:</i>				
Buildings and improvements	(1,684)	(1,684)	-	(3,368)
Intangible right to use:				
Leased building	<u>(39,999)</u>	<u>(38,953)</u>	<u>43,332</u>	<u>(35,620)</u>
Total accumulated depreciation/amortization	<u>(41,683)</u>	<u>(40,637)</u>	<u>43,332</u>	<u>(38,988)</u>
Total capital assets, being depreciated/amortized, net	<u>69,013</u>	<u>140,432</u>	<u>-</u>	<u>209,445</u>
Business-type activities capital assets, net	<u><u>\$ 77,339</u></u>	<u><u>\$ 140,432</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 217,771</u></u>

Depreciation/amortization expense was charged to governmental functions as follows:

Academy	<u>\$ 40,637</u>
Total depreciation/amortization expense	<u><u>\$ 40,637</u></u>

**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 11 - LONG-TERM OBLIGATIONS

During fiscal year 2023, the following activity occurred in business-type activities long-term obligations:

	Balance Outstanding 6/30/22	Additions	Reductions	Balance Outstanding 6/30/23	Amounts Due in One Year
<i>Business-type activities</i>					
Lease payable	\$ 3,403	\$ 181,069	\$ (33,309)	\$ 151,163	\$ 34,223
Total long-term obligations	<u>\$ 3,403</u>	<u>\$ 181,069</u>	<u>\$ (33,309)</u>	<u>\$ 151,163</u>	<u>\$ 34,223</u>

Leases Payable - The Academy has entered into lease agreements for the use of right to use a building. Due to the implementation of GASB Statement No. 87, the Academy will report an intangible capital asset and corresponding liability for the future scheduled payments under the lease.

The Academy has entered into lease agreements for copier equipment and buses at varying years and terms as follows:

Purpose	Lease Commencement Date	Years	Lease End Date	Payment Method
Building 2022	2020	2	2022	Monthly
Building 2023	2022	5	2027	Monthly

The following is a schedule of future lease payments under the lease agreements:

Fiscal Year	Principal	Interest	Total
2024	34,223	6,781	41,004
2025	35,974	5,030	41,004
2026	37,814	3,190	41,004
2027	39,749	1,255	41,004
2028	<u>3,403</u>	<u>14</u>	<u>3,417</u>
Total	<u>\$ 151,163</u>	<u>\$ 16,270</u>	<u>\$ 167,433</u>

NOTE 12 – SUBSEQUENT EVENTS

Effective July 1, 2024, the Academy and Jefferson Educational Service Center terminated their agreement. At that time the Academy switched providers to East Central Ohio Educational Service Center. Effective January 1, 2025, the Board elected to terminate this relationship as well and have the staff employed directly by the Academy.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors
Lakeland Academy Community School
Harrison County, Ohio
101 E. Main Street
Freeport, OH 43973

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated February 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.
New Philadelphia, Ohio
February 26, 2025

LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO
Schedule of Findings and Responses
June 30, 2023

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2023-001 – Material Non-compliance

Criteria: Ohio Rev. Code § 3314.02(A)(8) states an "operator" or "management company" means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards. Therefore, the terms "operator" and "management company" are synonymous, and the footnote required by Ohio Rev. Code § 3314.024 applies to any entity meeting the definition in Ohio Rev. Code § 3314.02(A)(8).

Ohio Rev. Code (ORC) 3314.024 (A) & (B) states that a management company that receives more than twenty percent of the annual gross revenues of a community school shall provide a detailed accounting including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth in divisions (B) and (C) of this section, as applicable. In order to meet these requirements, management companies may elect to have the Auditor of State (or contracting IPA's) audit this information at the management company or may provide independently audited financial statements and a statement showing the direct and allocated indirect (e.g., overhead) expenses for each school it manages.

The companies should present this statement in a combining or consolidating format (i.e., present a column for each school). If a management company does not have audited financial statements or the audited financial statements do not present combining or consolidating columns for each of its schools, or if the management company's auditor does not provide opinion-level assurance on the combining or consolidating columns presenting each school, the Auditor of State will accept an agreed-upon procedures (AUP) report per AICPA Clarified Attestation Standards Section 215.

Condition: Jefferson County Educational Service Center, the Academy's operator in fiscal year 2023, received more than 20% of the Academy's annual gross revenue for fiscal year 2023. The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report, and therefore, the required management expenses footnote was not subject to the above mentioned procedures.

Cause: The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report.

Effect: The Academy did not disclose the required management expense footnote for fiscal year 2023. Without the required management expenses footnote and required procedures over the expenses, it could not be determined whether the expenses represent direct costs allocated to the Academy and are properly classified within respective object and functions codes required by Ohio Revised Code 3314.024 (A) & (B).

Recommendation: We recommend the Academy request that the operator prepare the required management expenses footnote to be included within the Academy's financial report, and subject the footnote to the above mentioned procedures to comply with the requirements of the above referenced ORC if future contracts involve operating the Academy.

LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO
Schedule of Findings and Responses
June 30, 2023

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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Finding Number: 2023-001 – Material Non-compliance- (continued)

Management's Response: Jefferson County Educational Service Center (ESC) will implement procedures moving forward to ensure compliance with note disclosure requirements.



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*Summary Schedule of Prior Audit Findings
June 30, 2023*

Finding Number	Finding Summary	Status	Additional Information
2022-001	Management Expenses Footnote – Material Noncompliance	Not corrected	Corrective action was not taken to resolve finding.
2022-002	Capital Asset Audit Adjustments – Material Weakness – Financial Reporting	Corrected	

LAKELAND ACADEMY
COMMUNITY SCHOOL
HARRISON COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2024



**Lakeland Academy Community School
Harrison County, Ohio**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakeland Academy Community School
Harrison County, Ohio
101 E. Main Street
Freeport, OH 43973

Report on the Audit of the Financial Statements

Opinion

We have audited the cash-basis financial statements of the Lakeland Academy Community School, Harrison County, Ohio, (the "Academy"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash-basis financial position of the Academy, as of June 30, 2024, and the changes in cash-basis financial position for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit for the Financial Statements* section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Restatement of Net Position

As discussed in Note 10 to the financial statements, during 2024, the Academy has elected to change its financial presentation to a cash basis of accounting comparable to the requirements of Governmental Accounting Standards. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the management's discussion & analysis but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
February 26, 2025

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (UNAUDITED)

The discussion and analysis of the Lakeland Academy Community School (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (the MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the Academy for the 2023-24 school year are as follows:

- In total, net cash position was \$66,312 at June 30, 2024.
- The Academy had operating receipts of \$729,275 and operating expenses of \$991,845 for fiscal year 2024.
- The Academy also received \$149,711 in non-operating state and federal grant revenues during fiscal year 2024.

USING THIS ANNUAL REPORT

This report consists of three parts: the required supplementary information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position-Cash Basis and a Statement of Revenues, Expenses and Change in Net Position-Cash Basis.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position was prepared on a cash basis and reflects how the Academy did financially during fiscal year 2024.

These statements report the Academy's Net Position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash was actually paid or received.

These two statements report the Academy's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the Academy as a whole, the cash basis financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the Academy's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (UNAUDITED)

Table 1 provides a summary of the Academy's net cash position for fiscal year 2024 compared to fiscal year 2023 (restated, see note 10).

Table 1
Net Cash Position

	2024	Restated 2023
Assets		
Current Assets	\$ 66,312	\$ 179,171
Net Cash Position		
Unrestricted	66,312	179,171
Total Net Cash Position	\$ 66,312	\$ 179,171

Over time, net position can serve as a useful indicator of a government's financial position. Total net cash position of the Academy decreased \$112,859 which represents a 63% decrease from restated net cash position at June 30, 2023. The unrestricted net cash position of \$66,312 may be used for the Academy's ongoing operations.

Table 2 shows the change in Net Position for fiscal years 2024 and 2023 (restated, see note 10), as well as a listing of revenues and expenses.

Table 2
Change in Net Cash Position

	2024	Restated 2023
Operating Receipts		
State Aid	\$ 729,275	\$ 691,861
Other	-	2,196
Total Operating Receipts	729,275	694,057
Operating Disbursements		
Purchased Services	893,672	792,912
Materials and Supplies	85,632	56,096
Other	12,541	28,727
Total Operating Disbursements	991,845	877,735
Operating Loss	(262,570)	(183,678)
Non-Operating Receipts:		
State and Federal Grants	149,711	117,397
Total Non-Operating Receipts:	149,711	117,397
Change in Net Cash Position	(112,859)	(66,281)
Net Cash Position - Beginning of year-Restated	179,171	245,452
Net Cash Position - End of year	\$ 66,312	\$ 179,171

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (UNAUDITED)

The increase in state aid was due to increases in per pupil funding from the State. State and federal grants increased due to the timing in drawing down available funds. Purchased services disbursements increased during the year primarily due to the increased cost of services needed to operate the Academy.

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community School's contract with its Sponsor.

The contract between the Academy and its Sponsor does prescribe a budgetary process. The Academy must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

CAPITAL ASSETS

The Academy does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

CURRENT FINANCIAL ISSUES

The Academy is a community School and is funded through the State of Ohio Foundation Program. The Academy relies on this, as well as State and Federal funds as its primary source of revenue. In 2022, the State replaced the existing funding formula with a new formula that was implemented in January 2022 as a result of changes in Ohio law under the passage of HB110. Under the new formula, community schools are funded directly with no deductions or transfers from the student's district of residence. The funding calculation for community schools uses several concepts and formulas, some of which also apply to traditional school districts. These primarily include Base Cost, Special Education, Disadvantaged Pupil Impact Aid, English Learners and Career Technical Education. Combined, these elements make up the Core Foundation Funding and the change in calculated amounts compared to the funding received in Fiscal Year 2020 are being phased-in at 16.67% per year until fully implemented. In June 2023, the State Legislature passed the 24-25 biennial budget which included significant increases to community school funding, as well as, continuing the graduated phase-in approach initiated in last budget cycle. The phase-in percentage for 2024 and 2025 will be 50% and 66.67% respectively.

In addition, schools will see an additional \$500 per student in facility funding, a \$650 per student equity grant for both 2024 and 2025, and a 12.1% increase in the per student Base Cost, increasing from \$7,352 to \$8,241. Finally, the availability of ARP ESSER funds are set to expire on September 30, 2024. Looking beyond this date, all schools will need to continue to be vigilant about monitoring expenses and developing sustainable budgets in the absence of these revenues.

The full-time equivalent enrollment of the Academy for the year ended June 30, 2024 was 78 compared to a figure of 86 at the end of fiscal year 2023. Overall, the Academy will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (UNAUDITED)**

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact the Academy's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, 101 Main St. Freeport, Ohio 43973.

LAKELAND ACADEMY - HARRISON COUNTY, OHIO

**STATEMENT OF NET POSITION – CASH BASIS
AT JUNE 30, 2024**

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$	66,312
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Net Cash Position:

Unrestricted		66,312
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Total Net Cash Position	\$	66,312
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See Accompanying Notes to the Basic Financial Statements

LAKELAND ACADEMY - HARRISON COUNTY, OHIO

**STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION – CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Operating Receipts:

State Aid	\$ 729,275
Total Operating Receipts	<u>729,275</u>

Operating Disbursements:

Purchased Services	893,672
Materials and Supplies	85,632
Other	<u>12,541</u>
Total Operating Disbursements	<u>991,845</u>

Operating Loss (262,570)

Non-Operating Receipts:

State and Federal Grants	<u>149,711</u>
Total Non-Operating Receipts	<u>149,711</u>

Change in Net Position (112,859)

Net Position as previously reported	245,174
Restatement - change in accounting basis	<u>(66,003)</u>
Net Cash Position - End of year	<u><u>\$ 66,312</u></u>

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 1 - DESCRIPTION OF THE ENTITY

The Lakeland Academy (the "Academy"), is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students served in grades K - 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 in fiscal year 2012, with North Central Ohio Educational Service Center for a period of five years ending on June 30, 2017 and extended through June 30, 2020. Effective July 2, 2021, the Academy was approved for sponsorship under contract resolution with the Educational Service Center of Lake Erie West (the "Sponsor") for a period of two-year period commencing on July 1, 2020 and ending on June 30, 2022. The sponsorship agreement has been renewed through June 30, 2025.

The Sponsor has a signed contract agreement with the Academy that includes state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in this Note, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy's accounting policies.

Basis of Presentation - The Academy's basic financial statements consist of a statement of net position and a statement of revenues, expenses and change in net position. The statement of net position presents the cash balance of the business-type activities of the Academy at fiscal year-end.

The statement of revenues, expenses and changes in net position compares disbursements with receipts for each function of the Academy's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Measurement Focus and Basis of Accounting - The Academy uses enterprise accounting to track and report on its financial activities. 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) 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.

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process - Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not require the Academy to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

Cash and Cash Equivalents - All cash received by the Academy is maintained in a demand deposit account and a money market account. All investments of the Academy are considered to be cash and cash equivalents for financial reporting purposes. During fiscal year 2024, the Academy held no investments.

Capital Assets - Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Inventory and Prepaid Items - The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Net Cash Position - Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Intergovernmental Revenues - The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all payment is received by the Academy. Grants and entitlements are recognized as non-operating revenues in the accounting period in which payment is received by the Academy. The Academy participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the Academy recorded \$729,275 this fiscal year from the Foundation Program and Casino Tax Revenues and \$149,711 from State and Federal Grants.

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Operating and Non-Operating Receipts and Disbursements - Operating receipts are those receipts that are generated directly from the primary activities of the Academy. For the Academy, these receipts are primarily the State Foundation program. Operating disbursements are necessary costs incurred to provide the good or service that is the primary activity of the Academy. All receipts and disbursements not meeting this definition are reported as non-operating.

Non-operating receipts are those receipts that are not generated directly from the primary activities of the Academy. Various federal and state grants, interest earnings, if any, and contributions and donations comprise the non-operating receipts of the Academy.

NOTE 3 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, Net Position/fund balances, and disclosures that, while material, cannot be determined at this time. The Academy can be fined, and various other administrative remedies may be taken against the Academy.

NOTE 4 - CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The Academy maintains its cash balances at WesBanco Bank in Ohio. At June 30, 2024, the carrying amount of the Academy's deposits was \$66,312 and the bank balance was \$135,086. All of the Academy's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - LEASE OBLIGATIONS

The Academy operates in the building located at 101 Main Street, Freeport, Ohio 43973. On August 1, 2022, the Academy entered into a lease agreement with BMBR LLC to lease the building through July 31, 2027 for monthly payments of \$3,417.

NOTE 6 - 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. During the fiscal year 2024, the Academy contracted for various types of insurance through Wright Specialty Premium Trust.

Settled claims have not exceeded this coverage in any of the past three years. There have been no significant reductions in coverage from last year.

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 7 - CONTINGENCIES

Grants - The Academy received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

Litigation - There are currently no matters in litigation with the Academy as defendant.

NOTE 8 - SPONSOR CONTRACT

The Academy contracted with the Educational Service Center of Lake Erie West as its sponsor and to provide oversight services as required by law. Sponsorship fees are calculated as 2.75% of State Aid funds received by the Academy from the State of Ohio. For the fiscal year ended June 30, 2024, the total sponsorship fees paid totaled \$20,631.

NOTE 9 - PURCHASED SERVICES

For the period of July 1, 2023 through June 30, 2024, the Academy made the following purchased services commitments.

<u>Purchased Services</u>	<u>Amount</u>
Professional Services	\$ 815,483
Property Services	57,018
Utilities	14,410
Travel & Meetings	260
Communications	5,331
Pupil Transportation	1,170
Total	<u>\$ 893,672</u>

Professional Services include amounts paid to Jefferson County Educational Service Center for staffing, fiscal, EMIS and various other services in the amount of \$780,013.

LAKELAND ACADEMY COMMUNITY SCHOOL - HARRISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES/CHANGE IN BASIS
OF ACCOUNTING AND RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2024, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes for Error Corrections*. The implementation of GASB Statements No. 100 had the following effect on the financial statements of the Academy.

For fiscal year 2024, the Academy ceased reporting under generally accepted accounting principles and reported on the cash basis as described in Note 2. The effect on net position is below:

Net Position, June 30, 2023	\$ 245,174
Restatement to Convert to Cash Basis	<u>(66,003)</u>
Restated Net Position, July 1, 2023	<u>\$ 179,171</u>

NOTE 11 – SERVICE AGREEMENT

The Academy entered into service agreements effective August 1, 2019 with the Jefferson County Educational Service Center for staffing, EMIS coordinator, internet technology, building and grounds and Erate services. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$780,013 to the Jefferson County ESC for educational, fiscal and administrative services for the fiscal year ended June 30, 2024.

NOTE 12 – SUBSEQUENT EVENT

Effective July 1, 2024, the Academy and Jefferson Educational Service Center terminated their agreement. At that time the Academy switched providers to East Central Ohio Educational Service Center. Effective January 1, 2025, the Board elected to terminate this relationship as well and have the staff employed directly by the Academy.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors
Lakeland Academy Community School
Harrison County, Ohio
101 E. Main Street
Freeport, OH 43973

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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, 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated February 26, 2025, wherein we noted that the Academy uses a special purpose framework other than generally accepted accounting principles, and restated beginning net position.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002.

Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.
New Philadelphia, Ohio
February 26, 2025

LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO
Schedule of Findings and Responses
June 30, 2024

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2024-001 – Material Non-compliance

Criteria: Ohio Rev. Code § 3314.02(A)(8) states an "operator" or "management company" means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards. Therefore, the terms "operator" and "management company" are synonymous, and the footnote required by Ohio Rev. Code § 3314.024 applies to any entity meeting the definition in Ohio Rev. Code § 3314.02(A)(8).

Ohio Rev. Code (ORC) 3314.024 (A) & (B) states that a management company that receives more than twenty percent of the annual gross revenues of a community school shall provide a detailed accounting including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth in divisions (B) and (C) of this section, as applicable. In order to meet these requirements, management companies may elect to have the Auditor of State (or contracting IPA's) audit this information at the management company or may provide independently audited financial statements and a statement showing the direct and allocated indirect (e.g., overhead) expenses for each school it manages.

The companies should present this statement in a combining or consolidating format (i.e., present a column for each school). If a management company does not have audited financial statements or the audited financial statements do not present combining or consolidating columns for each of its schools, or if the management company's auditor does not provide opinion-level assurance on the combining or consolidating columns presenting each school, the Auditor of State will accept an agreed-upon procedures (AUP) report per AICPA Clarified Attestation Standards Section 215.

Condition: Jefferson County Educational Service Center, the Academy's operator in fiscal year 2024, received more than 20% of the Academy's annual gross revenue for fiscal year 2024. The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report, and therefore, the required management expenses footnote was not subject to the above mentioned procedures.

Cause: The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report.

Effect: The Academy did not disclose the required management expense footnote for fiscal year 2024. Without the required management expenses footnote and required procedures over the expenses, it could not be determined whether the expenses represent direct costs allocated to the Academy and are properly classified within respective object and functions codes required by Ohio Revised Code 3314.024 (A) & (B).

Recommendation: We recommend the Academy request that the operator prepare the required management expenses footnote to be included within the Academy's financial report, and subject the footnote to the above mentioned procedures to comply with the requirements of the above referenced ORC if future contracts involve operating the Academy.

LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY, OHIO
Schedule of Findings and Responses
June 30, 2024

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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Finding Number: 2024-001 – Material Non-compliance (continued)

Management’s Response: Jefferson County Educational Service Center (ESC) will implement procedures moving forward to ensure compliance with note disclosure requirements.

Finding Number: 2024-002 –Material Non-Compliance

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Rev. Code Section 117.38 requires entities filing on a cash-basis must file annual reports within 60 days of their fiscal year end.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The Academy prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the Academy’s ability to evaluate and monitor the overall financial condition of the Academy. To help provide the users with more meaningful financial statements, the Academy should prepare its annual financial statements according to generally accepted accounting principles. The Academy did not filed the financial report timely.

Management’s Response: The Academy has reported on the cash-basis of accounting as a cost saving measure for the Academy for fiscal year-end June 30, 2024.



Lakeland Academy 101 East
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*Summary Schedule of Prior Audit Findings
June 30, 2024*

Finding Number	Finding Summary	Status	Additional Information
2023-001	Management Expenses Footnote – Material Noncompliance	Not corrected	Corrective action was not taken to resolve finding.

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OHIO AUDITOR OF STATE KEITH FABER



LAKELAND ACADEMY COMMUNITY SCHOOL

HARRISON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/3/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov