



OHIO AUDITOR OF STATE
KEITH FABER



**LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY
JUNE 30, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Lakeland Academy Community School, Harrison County, Ohio (the Academy), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Lakeland Academy Community School, Harrison County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position for the years then ended in accordance with the accounting basis described in Note 2.

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 applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2017, the Academy has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis, as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2019, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 6, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The management's 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, 2018. 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 2018 are as follows:

- In total, net cash position was \$266,648 at June 30, 2018.
- The Academy had operating revenues of \$578,254 and operating expenses of \$640,961 for fiscal year 2018.
- The Academy also received \$97,346 in non-operating revenue during fiscal year 2018.
- Total change in net cash position for fiscal year 2018 was an increase of \$34,639, from a beginning balance of \$232,009 to a balance of \$266,648.

Using these Cash Basis 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 – Cash Basis and Statement of Revenues, Expenses and Changes in Net Position – Cash Basis provides information about the activities of the Academy.

Reporting the Academy's Financial Activities

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position - Cash Basis

These documents look at all financial transactions and ask the question, "How did the Academy do financially during 2018?" The Statement of Net Position – Cash Basis and Statement of Revenues, Expenses and Changes in Net Position – Cash Basis answer this question. These statements include only 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 is actually received or paid.

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, some not. These statements can be found on pages 7 and 8 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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. These notes to the basic financial statements can be found on pages 9-14 of this report.

The table below provides a summary of the Academy's net cash position for fiscal years 2018 and 2017.

	Net Cash Position	
	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets	\$ 266,648	\$ 232,009
Total assets	<u>266,648</u>	<u>232,009</u>
<u>Net Cash Position</u>		
Restricted	-	1,788
Unrestricted	<u>266,648</u>	<u>230,221</u>
Total net cash position	<u>\$ 266,648</u>	<u>\$ 232,009</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net cash position of the Academy increased \$34,639, which represents a 14.9% increase from net cash position at June 30, 2017. The balance of unrestricted net cash position of \$266,648 may be used for the Academy's ongoing operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The table below shows the changes in net position for fiscal year 2018 and 2017.

Change in Net Cash Position

	2018	2017
<u>Operating Revenues</u>		
Foundation payments	\$ 578,093	\$ 564,564
Other	161	2,660
Total operating revenues	578,254	567,224
<u>Operating Expenses</u>		
Purchased services	609,599	514,040
Materials and supplies	14,698	27,492
Capital outlay	3,818	-
Other	12,846	38,520
Total operating expenses	640,961	580,052
<u>Non-operating revenues</u>		
Federal and state grants	97,346	21,122
Total non-operating revenues	97,346	21,122
Change in net cash position	34,639	8,294
Net cash position at beginning of year	232,009	223,715
Net cash position at end of year	\$ 266,648	\$ 232,009

The Academy had an increase in non-operating revenues of \$76,224, or 360.87% and an increase in operating revenues of \$11,030 or 1.90%. Operating expenses increased \$60,909 or 10.5% primarily due to an increase in purchased services. The net cash position of the Academy increased \$34,639.

Capital Assets and Debt Administration

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.

Debt Administration

The Academy does not have any debt obligations outstanding as of June 30, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

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.

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

Contacting the 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 Todd Johnson, Community School Treasurer, 101 Main Street, Freeport, Ohio 43973.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	<u>\$ 266,648</u>
Total assets.	<u>266,648</u>
 Net cash position:	
Unrestricted.	<u>266,648</u>
Total net cash position.	<u><u>\$ 266,648</u></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 - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
Foundation payments.	\$ 578,093
Other	161
Total operating revenues	<u>578,254</u>
Operating expenses:	
Purchased services.	609,599
Materials and supplies	14,698
Capital outlay	3,818
Other.	12,846
Total operating expenses.	<u>640,961</u>
Operating loss.	<u>(62,707)</u>
Non-operating revenues:	
Federal and state grants.	97,346
Total non-operating revenues.	<u>97,346</u>
Change in net cash position	34,639
Net cash position at beginning of year.	<u>232,009</u>
Net cash position at end of year	<u><u>\$ 266,648</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 (the “Sponsor”) for a period of five years ending on June 30, 2017. The Academy entered into an amended Sponsorship contract with the Sponsor through June 30, 2020.

Pursuant to the Sponsor’s authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services. The Sponsor has a signed contract agreement with the Academy that includes all purchased services including a licensed Treasurer, staff, therapists, etc. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for the fiscal year 2018 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy’s use by the Sponsor including, but not limited, to portions of the Sponsor’s facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor’s sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor’s cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3% sponsorship fee for oversight and monitoring, the amount paid to the Sponsor was \$16,641 for 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

The initial founding members and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and 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.

B. 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.

C. 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

D. Budgetary Process

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

E. Cash

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates cash into separate funds.

F. 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.

G. 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.

H. 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.

I. Operating Revenues and Expenses

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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, the Improving Teacher Quality Title II-A grant, Student Support Academic Enrichment Title IV-A grant, and the Title I grant. 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 for the fiscal year 2018 amounted to \$578,093.

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 \$97,346 in grants and entitlements during fiscal year.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the Academy has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Academy.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Academy.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Academy.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 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, 2018**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. 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 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 - DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned. At June 30, 2018, the carrying amount of the Academy's deposits was \$266,648. The bank balance of the Academy's deposits at June 30, 2018 was \$284,943. \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$34,943 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

NOTE 5 - PURCHASED SERVICES

For the fiscal year ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services	\$ 524,043
Property services	58,192
Travel and meetings	319
Communications	18,568
Utilities	<u>8,477</u>
Total	<u>\$ 609,599</u>

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 2018, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - 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.

C. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the Academy for fiscal year 2018.

As of the date of this report, adjustments for fiscal year 2018 have been finalized. The impact of FTE adjustments does not have a material impact on the 2018 financial statements.

In addition, the Academy contracts with their Sponsor requires payment based on revenues received from the State. As discussed above, adjustments for fiscal year 2018 have been finalized. The impact of FTE adjustments does not have a material impact on the 2018 financial statements.

NOTE 8 - SERVICE AGREEMENT

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$482,380 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2018.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The management's 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, 2017. 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 2017 are as follows:

- In total, net cash position was \$232,009 at June 30, 2017.
- The Academy had operating revenues of \$567,224 and operating expenses of \$580,052 for fiscal year 2017.
- The Academy also received \$21,122 in non-operating revenue during fiscal year 2017.
- Total change in net cash position for fiscal year 2017 was an increase of \$8,294, from a beginning balance of \$223,715 to a balance of \$232,009.

Using these Cash Basis 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 – Cash Basis and Statement of Revenues, Expenses and Changes in Net Position – Cash Basis provides information about the activities of the Academy.

Reporting the Academy's Financial Activities

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position - Cash Basis

These documents look at all financial transactions and ask the question, "How did the Academy do financially during 2017?" The Statement of Net Position – Cash Basis and Statement of Revenues, Expenses and Changes in Net Position – Cash Basis answer this question. These statements include only 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 is actually received or paid.

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, some not. These statements can be found on pages 19 and 20 of this report.

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. These notes to the basic financial statements can be found on pages 21 - 26 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below provides a summary of the Academy's net cash position for fiscal years 2017 and 2016.

	Net Cash Position	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets	\$ 232,009	\$ 223,715
Total assets	<u>232,009</u>	<u>223,715</u>
<u>Net Cash Position</u>		
Restricted	1,788	5,786
Unrestricted	<u>230,221</u>	<u>217,929</u>
Total net cash position	<u>\$ 232,009</u>	<u>\$ 223,715</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net cash position of the Academy increased \$8,294, which represents a 3.7% increase from net cash position at June 30, 2016. A portion of the Academy's net cash position, \$1,788, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$230,221 may be used for the Academy's ongoing operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2017 and 2016.

Change in Net Cash Position

	2017	2016
<u>Operating Revenues</u>		
Foundation payments	\$ 564,564	\$ 521,479
State Distributed Casino Revenue	-	3,236
Other	2,660	-
Total operating revenues	567,224	524,715
<u>Operating Expenses</u>		
Purchased services	514,040	503,722
Materials and supplies	27,492	34,379
Other	38,520	25,571
Total operating expenses	580,052	563,672
<u>Non-operating revenues</u>		
Federal and state grants	21,122	56,851
Contributions	-	3,696
Total non-operating revenues	21,122	60,547
Change in net cash position	8,294	21,590
Net cash position at beginning of year	223,715	202,125
Net cash position at end of year	\$ 232,009	\$ 223,715

The Academy had a decrease in non-operating revenues of \$39,425, or 65.1% and an increase in operating revenues of \$42,509 or 8.1%. Operating expenses increased \$16,380 or 2.9% primarily due to an increase in purchased services and other expenses. The net cash position of the Academy increased \$8,294.

Capital Assets and Debt Administration

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.

Debt Administration

The Academy does not have any debt obligations outstanding as of June 30, 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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.

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

Contacting the 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 Todd Johnson, Community School Treasurer, 101 Main Street, Freeport, Ohio 43973.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 232,009
Total assets.	<u>232,009</u>

Net cash position:

Restricted for student activities.	1,788
Unrestricted.	<u>230,221</u>
Total net cash position.	<u>\$ 232,009</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 - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:	
Foundation payments.	\$ 564,564
Other revenues.	2,660
Total operating revenues	567,224
Operating expenses:	
Purchased services.	514,040
Materials and supplies	27,492
Other.	38,520
Total operating expenses.	580,052
Operating loss.	(12,828)
Non-operating revenues:	
Federal and state grants.	21,122
Total non-operating revenues.	21,122
Change in net cash position	8,294
Net cash position at beginning of year, Restated	223,715
Net cash position at end of year	\$ 232,009

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 (the "Sponsor") for a period of five years ending on June 30, 2017. The Academy entered into an amended Sponsorship contract with the Sponsor through June 30, 2020.

Pursuant to the Sponsor's authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services. The Sponsor has a signed contract agreement with the Academy that includes all purchased services including a licensed Treasurer, staff, therapists, etc. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for the fiscal year 2017 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3% sponsorship fee for oversight and monitoring, the amount paid to the Sponsor was \$16,218 for 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The initial founding members and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and 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.

B. 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.

C. 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.

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.

D. Budgetary Process

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

E. Cash

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates cash into separate funds.

F. 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.

G. 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.

H. 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.

I. Operating Revenues and Expenses

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

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 Improving Teacher Quality Title II-A grant. 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 for the fiscal year 2017 amounted to \$564,564.

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 \$21,122 in grants and entitlements during fiscal year.

NOTE 3 – RESTATEMENT OF NET POSITION

The Academy's financial statements in the prior audit were prepared in accordance with Generally Accepted Accounting Principles (GAAP). As the Academy utilized a special purpose framework in the preparation of the current year's financial statements, the balance as of July 1, 2016 is required to be restated.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 – RESTATEMENT OF NET POSITION (Continued)

Net Position at June 30, 2016	\$ 236,163
Adjustments:	
Intergovernmental Receivable at June 30, 2016	(15,658)
Intergovernmental Payable at June 30, 2016	<u>3,210</u>
Restated Net Position at July 1, 2017	<u><u>\$ 223,715</u></u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the Academy has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Academy.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Academy.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Academy.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 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, 2017**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. 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 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 5 - DEPOSITS

At June 30, 2017, the carrying amount of the Academy's deposits was \$232,009. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2017, the Academy's entire bank balance of \$235,663 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned. Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2017, purchased services expenses were as follows:

Professional and technical services	\$ 433,744
Property services	54,812
Travel and meetings	2,386
Communications	15,988
Utilities	<u>7,110</u>
Total	<u>\$ 514,040</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 2017, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

C. State Foundation Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, adjustments for fiscal year 2017 have been finalized. The impact of FTE adjustments does not have a material impact on the 2017 financial statements.

NOTE 9 - SERVICE AGREEMENT

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$418,078 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2017.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of Lakeland Academy Community School, Harrison County, Ohio (the Academy), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 6, 2019, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider finding 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2018-001.

Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Academy's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 6, 2019

LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance

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 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 Statement No. 34, report on the basis of cash receipts and cash disbursements, 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.

Officials' Response: The Academy does not pay for a GAAP compilation to save funds.

FINDING NUMBER 2018-002

Significant Deficiency

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Academy's receipts and expenditures were not always posted into accurate classifications.

During 2017, facilities, casino tax and economic disadvantaged funding revenues totaling \$32,775 were improperly classified as Federal and State grants rather than Foundation payments.

LAKELAND ACADEMY COMMUNITY SCHOOL
HARRISON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-002
(Continued)

Significant Deficiency (Continued)

The adjustment noted above, with which management agreed, has been made and is reflected in the accompanying financial statements.

In addition, we also identified projected expenditure misstatements of \$2,997 in fiscal year 2018 and \$10,788 in fiscal year 2017 that we have brought to the Academy's attention and are not reflected in the accompanying financial statements due to their insignificance.

The Academy did not have controls in place to ensure receipts/expenditures were posted to the correct account classification.

To prevent future occurrences of the deficiency identified in the audit finding, the Academy should utilize available authoritative resources to appropriately classify receipt and expenditure transactions.

Officials' Response: We will ensure revenue is properly reflected on the financial statements.

OHIO AUDITOR OF STATE
KEITH FABER



LAKELAND ACADEMY COMMUNITY SCHOOL

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 21, 2019