



**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION  
d.b.a. LIGHTHOUSE COMMUNITY SCHOOL AND  
PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION  
d.b.a LIGHTHOUSE COMMUNITY SCHOOL AND  
PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Balance Sheet.....	3
Statement of Revenues, Expenses, and Changes in Retained Earnings .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Lighthouse Educational Development Corporation  
d.b.a Lighthouse Community School and  
Professional Development Academy  
Summit County  
1585 Frederick Boulevard, Suite 100  
Akron, Ohio 44320

To the Board of Trustees:

We have audited the Balance Sheet of Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy, Summit County, Ohio, (the Academy) as of and for the year ended June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earning, and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy, Summit County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

January 5, 2004

111 Second St., NW / Fourth Floor / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**This page intentionally left blank.**

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2003**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 34,925
Receivables:	
Accounts	5,010
Intergovernmental	88,244
Private grants	5,000
Prepaid expenses	1,303
Security deposits	400
Total current assets	<u>134,882</u>

**Noncurrent assets:**

Fixed assets, net of accumulated depreciation	<u>91,907</u>
---	---------------

**Total assets** \$ 226,789

**LIABILITIES AND EQUITY**

**Current liabilities:**

Accounts payable	\$ 2,408
Accrued wages and benefits	35,249
Intergovernmental payable	16,263
Capital lease payable, current portion	2,400
Total current liabilities	<u>56,320</u>

**Long term liabilities:**

Capital lease payable, net of current portion	<u>2,160</u>
---	--------------

**Total liabilities** 58,480

**Equity**

Retained earnings	<u>168,309</u>
-------------------	----------------

**Total liabilities and equity** \$ 226,789

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

LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**Operating revenues**

Materials and fees	\$	4,212
State foundation		934,570
Sales		933
Other operating revenues		17,683
Total operating revenue		<u>957,398</u>

**Operating expenses**

Salaries		556,328
Fringe benefits		155,453
Purchased services		164,845
Materials and supplies		69,582
Depreciation		12,654
Other		17,140
Total operating expenses		<u>976,002</u>

**Operating loss** (18,604)

**Non-operating revenues (expenses)**

Local grants		850
State and Federal grants		169,112
Private Foundation grants		59,150
Interest earnings		266
Interest expense		(816)
Net non-operating revenues (expenses)		<u>228,562</u>

**Net income** **209,958**

Accumulated deficit at beginning of year (41,649)

Retained earnings at end of year **\$ 168,309**

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



**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**Increase (decrease) in cash and cash equivalents**

**Cash flows from operating activities:**

Cash from the State of Ohio	\$	934,570
Cash payments to suppliers for goods and services		(343,694)
Cash payments to employees for services and benefits		(754,152)
Cash payment for other operating expenses		(12,451)
Other operating revenues		22,828
Net cash used for operating activities		(152,899)

**Cash flows from noncapital financing activities:**

Local grants		850
State and Federal grants		147,994
Loan repayments		(44,650)
Private Foundation grants		80,000
Net cash provided by noncapital financing activities		184,194

**Cash flows from capital and related financing activities:**

Cash payments for capital acquisitions		(1,250)
Cash payments on capital lease		(2,400)
Interest payments		(1,042)
Net cash used for capital and related financing activities		(4,692)

**Cash flows from investing activities:**

Interest on investments		266
Net cash provided by investing activities		266

Net increase in cash and cash equivalents 26,869

Cash and cash equivalents at beginning of year 8,056

Cash and cash equivalents at end of year \$ 34,925

**Reconciliation of operating loss to net cash used for operating activities:**

Operating loss \$ (18,604)

**Adjustments to reconcile operating loss to net cash used for operating activities:**

Depreciation		12,654
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		(5,010)
Prepaid expenses		4,727
Increase (decrease) in liabilities:		
Accounts payable		(109,305)
Intergovernmental payable		(34,146)
Accrued wages and benefits		(3,215)
Total adjustments		(134,295)

Net cash used for operating activities \$ (152,899)

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

**This page intentionally left blank.**

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy (the School) is a school as provided for by Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing with fiscal year July 1, 2000 through June 30, 2001. The School operates under a self-appointing five-member Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then-existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility staffed by four non-certified and ten certified full-time teaching personnel who provide services to 132 students.

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

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

**Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/ or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

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

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Budgetary Process**

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

**Cash**

Cash received by the School is maintained in demand deposit and money market accounts.

For purposes of the Statement of Cash Flows and for presentation on the Balance Sheet, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**Fixed Assets and Depreciation**

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not possess any infrastructure and it does not capitalize interest costs.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of leasehold improvements, furniture, fixtures, equipment, and vehicles is computed using the straight-line method over estimated useful lives of five to ten years.

LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003

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

**Intergovernmental Revenues**

The School currently participates in several State and Federal programs:

Non-Reimbursable Grants

Management Information Systems  
Data Communication  
SchoolNet Professional Development  
Mentor/Entry Year Planning  
Title I  
Title II  
Title IV  
Title VI  
Title VI-B  
Title VI-R  
Title II-D

Reimbursable Grants

National School Lunch Program

The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue for this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

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

**Accrued Liabilities**

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

**Other Contributions/Donations**

The School receives various contributions and donations which are primarily for the general operations of the School. These contributions and donations are shown as non-operating revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings in the accounting period in which all eligibility requirements have been met.

**Use of Estimates**

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

**NOTE 3 - DEPOSITS**

At year-end, the carrying amount of the School's deposits were \$34,925 and the bank balance was \$52,724. All of the bank balance was covered by federal depository insurance.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2003 consisted of Federal grants. All intergovernmental receivables are considered collectible in full, due to the stable condition and the current year guarantee of Federal grants.

A summary of the principal items of receivables is as follows:

<u>Intergovernmental Receivable</u>	
Title I	\$ 62,310
Title IV	578
Title VI	563
Title VI-B	10,758
Title VI-R	12,330
Title II-D	1,705
	<hr/>
	\$ 88,244
	<hr/>

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 5 - FIXED ASSETS AND DEPRECIATION**

A summary of the School's fixed assets at June 30, 2003, follows:

Vehicles	\$	20,000
Leasehold improvements		40,000
Furniture, fixtures and equipment		52,705
Subtotal		112,705
Less: accumulated depreciation		(20,798)
Net fixed assets	\$	91,907

Equipment includes assets under a capital lease which have an original cost of \$8,407.

**NOTE 6 - CAPITAL LEASES**

In a prior year, the School entered into a capitalized lease for a copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date of the lease. The following is a schedule of the future minimum lease payments as of June 30, 2003.

Year Ending June 30	Amount
2004	\$ 2,400
2005	2,400
2006	600
Total future minimum lease payments	5,400
Less: amount representing interest	(840)
Present value of future minimum lease payments	\$ 4,560

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 7 - PERSONAL LOANS PAYABLE**

In prior years, the School received personal loans from Board Members, Administrators, and other lenders to continue operations. There was interest of 6% associated with these loans and repayment was made the first part of fiscal year 2003. The following is a summary of that activity:

Lender	Balance June 30, 2002	Additions	Payments	Balance June 30, 2003
P. Welch	\$ 1,500	\$ -	\$ (1,500)	\$ -
P. Garris	20,000	-	(20,000)	-
J. Bechtel	6,500	-	(6,500)	-
Other Lenders	16,650	-	(16,650)	-
	\$ 44,650	\$ -	\$ (44,650)	\$ -

**NOTE 8 - PURCHASED SERVICES**

For the period July 1, 2002 through June 30, 2003, purchased service expenses were payments for services rendered by various vendors as follows:

Occupancy costs	\$ 98,001
Professional services	54,922
Other	11,922
Total	\$ 164,845

**NOTE 9 - RISK MANAGEMENT**

**Property and Liability** – The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School contracted with a company for property and general liability insurance. Property coverage carries a \$2,500 deductible and has a \$1,000,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$1,000,000 in the aggregate with a \$2,500 deductible. Settled claims have not exceeded this commercial coverage, nor have there been any significant reductions in coverage in the past three fiscal years.

**Workers Compensation** - The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the total monthly gross payroll by a factor determined by the Bureau of Worker's Compensation.



**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**Employee Medical, Dental, and Vision Benefits** – The School has contracted with a private carrier to provide employee medical/surgical and dental benefits. The School pays 90% of the monthly premiums and the employee is responsible for the remaining 10%. For the fiscal year 2003, the School's and the employee's premiums varied depending on insurance coverage selected, family size and the ages of those covered. The School also has a Section 125 cafeteria plan available for its employees. This is a pretax voluntary supplementary medical benefits program employee funded and employer administrated.

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School is required to contribute 14%; for fiscal year 2003, 8.17% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by Ohio statute. The adequacy of the contribution rates is determined annually. The School's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$8,871, \$6,492 and \$1,656, respectively; 100% has been contributed for fiscal year ended June 30, 2003 and 100% for fiscal years 2002 and 2001.

**B. State Teachers Retirement System**

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3% of their annual covered salary and the School is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School's required contribution for pension obligations to DB plan for the fiscal years ended June 30, 2003, 2002 and 2001 were \$56,533, \$40,021 and \$24,340, respectively; 87% has been contributed for fiscal year ended June 30, 2003 and 100% for fiscal years 2002 and 2001. The unpaid contribution is recorded as a liability as of June 30, 2003.

**NOTE 12 - POST EMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and contribution rates are established by the Systems based on authority granted by State statute. Both Systems are on a pay-as-you-go basis.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 12 - POST EMPLOYMENT BENEFITS (Continued)**

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School, this amount equaled \$4,349 during the 2003 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For fiscal year 2003 employer contributions to fund health care benefits was 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2003 the minimum pay was established at \$14,500. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million.

At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School, the amount to fund health care benefits, including surcharge of \$0, equaled \$6,330 during the 2003 fiscal year.

**NOTE 13 - RENTAL AND SERVICE AGREEMENTS**

In prior years, the School entered into a lease agreement with Kids-Play, Inc. covering the period August 16, 2001 through August 15, 2004 to use a part of their building for School operations. The School paid Kids-Play, Inc. \$81,000 for use of these facilities during 2003. The following is a schedule of the future minimum lease payments as of June 30, 2003.

Year Ending June 30	Amount
2004	\$ 84,000
2005	10,500
Present value of future minimum lease payments	\$ 94,500

Kids-Play, Inc. also provides food services for the School's students. The School paid Kids-Play, Inc. \$33,363 for this service during 2003. This agreement remains in effect through August 15, 2004 with no stated renewal option. The School pays Kids-Play on a per child per meal basis and is reimbursed through the National School Lunch program.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 14 - CONTINGENCIES**

**GRANTS** – The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2003.

**LITIGATION** – A lawsuit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the state constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. The affect of this suit, if any, on the School is not presently determinable.

**NOTE 15 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 16 – SUBSEQUENT EVENT**

On August 17, 2003, several board members of the School were appointed to the Board of Trustees of the Akron Community School. The Akron Community School is a general population community school sponsored by the Ohio Department of Education. During the 2003 school year, the Akron Community School had an enrollment of 25 students, with an expected enrollment of 25 to 50 students for the 2004 school year. The Akron Community School Board is contracting with the School to manage its operations for the 2004 school year. All services are to be provided on a purchased service or reimbursement basis.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lighthouse Educational Development Corporation  
d.b.a Lighthouse Community School and  
Professional Development Academy  
Summit County  
1585 Frederick Boulevard, Suite 100  
Akron, Ohio 44320

To the Board of Trustees:

We have audited the financial statements of the Lighthouse Educational Development Corporation, d.b.a. Lighthouse Community School and Professional Development Academy, Summit County, Ohio, (the Academy) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we also noted a certain immaterial instance of noncompliance that we have reported to management of the Academy in a separate letter dated January 5, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Academy in a separate letter dated January 5, 2004.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Lighthouse Educational Development Corporation  
d.b.a. Lighthouse Community School and Professional Development Academy  
Summit County  
Independent Accountants' Report on Compliance and on  
Internal Control Required By *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 5, 2004



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2004**