



Dave Yost • Auditor of State



LAKWOOD CITY ACADEMY  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lakewood City Academy  
Cuyahoga County  
1470 Warren Road  
Lakewood, Ohio 44107

To the Board of Directors:

We have audited the accompanying basic financial statements of the Lakewood City Academy, Cuyahoga County, Ohio, (the Academy), a component unit of the Lakewood City School District, as of and for the year ended June 30, 2011, as listed in the table of contents. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Lakewood City Academy, Cuyahoga County, Ohio, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

**Dave Yost**  
Auditor of State

March 14, 2012

**LAKEWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The management's discussion and analysis of the Lakewood City Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. 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 fiscal year 2011 are as follows:

- In total, net assets were \$552,407 at June 30, 2011.
- The Academy had operating revenues of \$927,154, operating expenses of \$1,097,195 and non-operating revenues of \$260,420 for fiscal year 2011. Total change in net assets for the fiscal year was an increase of \$90,379.

**Using these Basic Financial Statements**

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

**Reporting the Academy's Financial Activities**

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

The statement of net assets and the statement of revenues, expenses and changes in net assets answer the question, "How did we do financially during 2011?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

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 11-17 of this report.

**LAKEWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table below provides a summary of the Academy's net assets at June 30, 2011 and June 30, 2010.

	<b>Net Assets</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current assets	\$ 520,385	\$ 416,017
Capital assets, net	<u>42,248</u>	<u>48,086</u>
Total assets	<u>562,633</u>	<u>464,103</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>10,226</u>	<u>2,075</u>
Total liabilities	<u>10,226</u>	<u>2,075</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	42,248	48,086
Restricted	21,953	1,610
Unrestricted	<u>488,206</u>	<u>412,332</u>
Total net assets	<u>\$ 552,407</u>	<u>\$ 462,028</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled \$552,407.

At year-end, capital assets represented 7.51% of total assets. Capital assets consisted of furniture and computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.



**LAKEWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

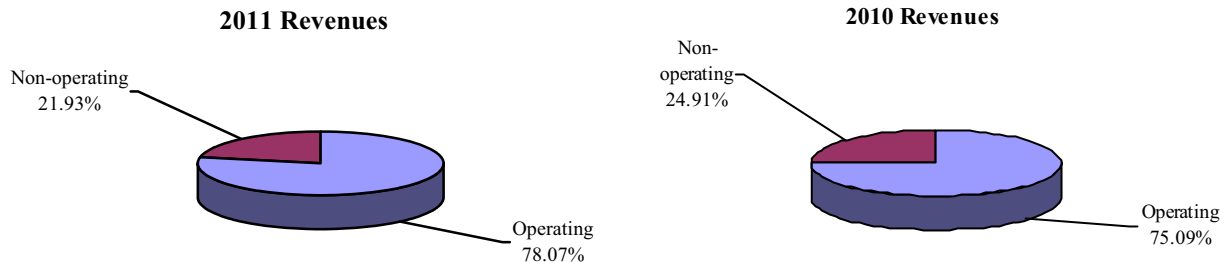
The table below shows the changes in net assets for fiscal year 2011 and 2010.

**Change in Net Assets**

	2011	2010
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 922,268	\$ 870,363
Tuition and fees	783	398
Sales/charges for services	140	-
Other	3,963	6,970
Total operating revenues	927,154	877,731
<b><u>Operating Expenses:</u></b>		
Purchased services	1,029,466	946,524
Materials and supplies	27,046	71,334
Depreciation	29,912	25,698
Other	10,771	7,661
Total operating expenses	1,097,195	1,051,217
<b><u>Non-operating Revenues:</u></b>		
Federal and State grants	259,627	289,597
Interest income	793	1,579
Total non-operating revenues	260,420	291,176
Change in net assets	90,379	117,690
Net assets at beginning of year	462,028	344,338
Net assets at end of year	\$ 552,407	\$ 462,028

Operating revenues of the Academy increased \$49,423 or 5.63% due to a increase in students at the Academy. Non-operating revenues decreased \$30,756 or 10.56% primarily due to a decrease in grants from the American Recovery and Reinvestment Act (ARRA). Operating expenses increased \$45,978 or 4.37% due mainly to an increase in purchased services relating to instruction of the students.

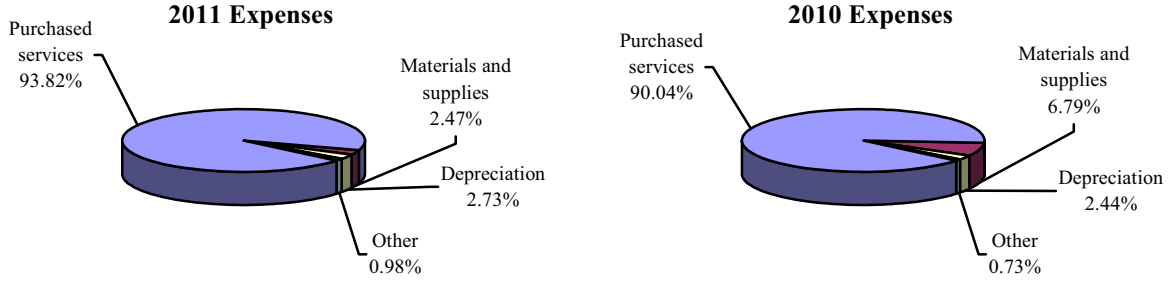
The chart below illustrates the revenues for the Academy during fiscal years 2011 and 2010.



**LAKWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The chart below illustrates the expenses for the Academy during fiscal years 2011 and 2010.



**Capital Assets**

At June 30, 2011, the Academy had \$42,248 invested in furniture and computer equipment. See Note 4 to the basic financial statements for more detail on capital assets.

**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Furniture and equipment	\$ 42,248	\$ 48,086

**Current Financial Related Activities**

The Academy is sponsored by Lakewood City School District. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors with 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 Rick Berdine, Treasurer, Lakewood City Academy, 1470 Warren Road, Lakewood, Ohio 44107.

**LAKWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2011

<b>Assets:</b>	
<u>Current assets:</u>	
Cash and cash equivalents . . . . .	\$ 499,121
Intergovernmental receivables . . . . .	21,264
	520,385
<u>Non-current assets:</u>	
Depreciable capital assets, net . . . . .	42,248
Total assets. . . . .	562,633
 <b>Liabilities:</b>	
<u>Current liabilities:</u>	
Accounts payable. . . . .	1,336
Intergovernmental payable . . . . .	8,890
Total liabilities . . . . .	10,226
 <b>Net assets:</b>	
Invested in capital assets . . . . .	42,248
Restricted for:	
Public school support . . . . .	140
Locally funded programs. . . . .	299
Federal programs . . . . .	21,265
Other purposes. . . . .	249
Unrestricted. . . . .	488,206
Total net assets . . . . .	\$ 552,407

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 922,268
Tuition and fees. . . . .	783
Sales/charges for services. . . . .	140
Other . . . . .	3,963
Total operating revenues . . . . .	<u>927,154</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	1,029,466
Materials and supplies . . . . .	27,046
Other. . . . .	10,771
Depreciation . . . . .	29,912
Total operating expenses. . . . .	<u>1,097,195</u>
Operating loss . . . . .	<u>(170,041)</u>
<b>Non-operating revenues:</b>	
Federal and State grants . . . . .	259,627
Interest revenue . . . . .	793
Total nonoperating revenues . . . . .	<u>260,420</u>
Change in net assets. . . . .	90,379
<b>Net assets at beginning of year . . . . .</b>	<u>462,028</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 552,407</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LAKWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 922,268
Cash received from tuition and fees . . . . .	783
Cash received from sales/charges for services. . . . .	140
Cash received from other operations . . . . .	3,963
Cash payments to suppliers for goods and services . .	(1,022,651)
Cash payments for materials and supplies . . . . .	(25,710)
Cash payments for other expenses . . . . .	(10,771)
	(131,978)
Net cash used in operating activities . . . . .	(131,978)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State grants . . . . .	239,388
	239,388
Net cash provided by noncapital financing activities. . . . .	239,388
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(24,074)
	(24,074)
Net cash used in capital and related financing activities. . . . .	(24,074)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	793
	793
Net cash provided by investing activities . . . . .	793
Net increase in cash and cash cash equivalents . . . . .	84,129
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>414,992</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 499,121</b>
	\$ 499,121
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (170,041)
Adjustments:	
Depreciation . . . . .	29,912
Changes in assets and liabilities:	
Increase in accounts payable. . . . .	1,336
Increase in intergovernmental payable . . . . .	6,815
	6,815
Net cash used in operating activities . . . . .	\$ (131,978)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LAKWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Lakewood City Academy Community School (the “Academy”) is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Lakewood City School District (the “Sponsor”) addressing the needs of students in grades K-12. The Academy, which is part of the State’s education program, is independent of any school district and 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 is considered a component unit of the Lakewood City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Academy provides opportunities for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include most ancillary components of a more traditional education. The Academy uses the latest technology to reach a diverse student population. This population includes students within the Sponsor’s district that have specific career interests in a technology field. The students may be children who need an alternative to the traditional classroom. Enrollment is limited to students within the attendance area of the Sponsor. The Academy uses the services of the Sponsor and the Tri-Rivers Educational Computer Association (TRECA) to assist with overall programming and operations.

The Academy was approved under contract with the Sponsor for a period of five years commencing July 1, 2005 through July 31, 2010 after which, the Academy must apply for an additional contract with the Sponsor. On June 28, 2010, the agreement was extended for fiscal year 2011. The Academy began operations on August 24, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a seven-member Board of Directors (the “Governing Authority”). The Governing Authority is composed of the following: the Executive Director of TRECA, the Superintendent of Lakewood City School District, the Assistant Superintendent of Lakewood City School District, the Coordinator of Student Services for the Lakewood City School District, the Director of Human Services for the City of Lakewood, the Vice-President of Retail/Chief Savings Officer of the First Federal of Lakewood Savings Bank and the Clinical Supervisor of the City of Lakewood Division of Youth Services. The Governing Authority is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

The Sponsor, under a purchased services basis with the Academy, provides planning, instructional, administrative and technical services. Personnel providing services to the Academy on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor and the Sponsor is solely responsible for all payroll functions. Payments from the Academy to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract can be found in Note 6. The Academy provides services to 161 students.

The Governing Authority has entered into a two-year contract with Tri-Rivers Educational Computer Association (“TRECA”) to provide planning, instructional, administrative and technical services required for the operation of the Academy (See Note 9).

**LAKEWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

**A. Basis of Presentation**

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

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**C. Basis of Accounting**

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

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

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

Expenses are recognized at the time that they are incurred.



**LAKWOOD CITY ACADEMY**  
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**CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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 deposited in a demand deposit account.

**F. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over 5-20 years.

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for public school support, other purposes, locally fund programs and federally funded programs.

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

**H. Intergovernmental Revenue**

The Academy currently participates in the State foundation program through the Ohio Department of Education, the State of Ohio Educational Management Information System grant, One Net Connectivity grant, Ed jobs grant, American Recovery and Reinvestment Act (ARRA) grants, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Federal Title IV Drug-Free Schools grant, the Federal Title II-A Improving Teacher Quality grant and the Federal Title II-D Technology grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year.

**LAKWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2011 was \$259,627.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**J. Estimates**

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

**NOTE 3 - DEPOSITS**

At June 30, 2011, the carrying amount of the Academy's deposits was \$499,121. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$249,121 of the Academy's bank balance of \$499,121 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**LAKEWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year 2011 was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2011</u>
Furniture and equipment	\$ 142,668	\$ 24,074	\$ -	\$ 166,742
Less: accumulated depreciation	<u>(94,582)</u>	<u>(29,912)</u>	<u>-</u>	<u>(124,494)</u>
Capital assets, net	<u>\$ 48,086</u>	<u>\$ (5,838)</u>	<u>\$ -</u>	<u>\$ 42,248</u>

**NOTE 5 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2011, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer \$20,000.

**NOTE 6 - PURCHASED SERVICES**

For the fiscal year 2011 purchased services expenses were as follows:

Professional and technical services	\$ 1,001,829
Property services	22,000
Contracted craftor trade	4,406
Pupil transportation	<u>1,231</u>
Total	<u>\$ 1,029,466</u>

**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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**B. Litigation**

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

**LAKEWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 - CONTINGENCIES - (Continued)**

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy received an FTE review on June 9, 2011 for the 2010-11 school year. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2012, as a result of the review.

**NOTE 8 - RECEIVABLES**

The Academy had the following intergovernmental receivables at June 30, 2011:

Title II-D grant	\$ 842
Ed jobs grant	<u>20,422</u>
Total	<u>\$ 21,264</u>

The intergovernmental receivables are expected to be collected in the subsequent year.

**NOTE 9 - SERVICE AGREEMENTS**

**A. Tri-Rivers Educational Computer Association**

The Academy entered into an agreement on August 14, 2009, with Tri-Rivers Educational Computer Association ("TRECA") for planning, instructional, administrative and technical services required for the operation of the Academy. During the fiscal year 2011, the Academy paid TRECA \$84,007 for services under the agreement. Under the contract, TRECA is required to provide the following services:

1. Instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan, assessment and accountability plan, and the sponsorship contract.
2. Responsibility for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes with respect to all personnel providing services to the Academy on behalf of TRECA. Also, all personnel shall possess any certification or licensure which may be required by law.
3. Provide technical services that include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel. The Academy is responsible for recovering and returning any and all equipment to TRECA. In cases where equipment is unrecoverable, the Academy shall reimburse TRECA up to \$900 per student.
4. Curricular services limited to standardized curriculum developed by TRECA.

**LAKWOOD CITY ACADEMY**  
**(A Component Unit of Lakewood City School District)**  
**CUYAHOGA COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - SERVICE AGREEMENTS - (Continued)**

For these services, the Academy is required to pay the following fees to TRECA:

Enrollment - \$3,875 per full-time student enrolled per year. In case of a student enrolled with an Individual Education Plan (IEP), the Academy will determine if special education will be provided by TRECA or otherwise. If substantially all of the special education and services are provided to such a student by an organization other than TRECA, the Academy does not have to pay TRECA the enrollment fee per the agreement, instead, the Academy will be required to pay only the actual costs for that student provided by TRECA. If the special education for a student is incurred by TRECA, then any additional amount received from the Department of Education for special education and related services is due to TRECA for that student.

If payments to the Academy from the Department of Education are reduced, the payments due from the Academy to TRECA shall be reduced accordingly.

**B. Lakewood City School District**

The Community School Sponsorship Contract and the annual Purchased Services Contract between the Academy and Lakewood City School District outlined the specific payments to be made by the Academy to Lakewood City School District during the fiscal year 2011. In addition the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Lakewood City School District. The Academy paid Lakewood City School District \$887,545 during the fiscal year 2011 for services rendered under the Community School Sponsorship Contract and the annual Purchased Services Contract.

**NOTE 10 - ACCOUNTABILITY AND COMPLIANCE**

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

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# Dave Yost • Auditor of State

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

Lakewood City Academy  
Cuyahoga County  
1470 Warren Road  
Lakewood, Ohio 44107

To the Board of Directors:

We have audited the basic financial statements of the Lakewood City Academy, Cuyahoga County, Ohio, (the Academy), a component unit of the Lakewood City School District, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 14, 2012.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's Sponsor, and others within the Academy. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 14, 2012





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lakewood City Academy  
Cuyahoga County  
1470 Warren Road  
Lakewood, Ohio 44107

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Lakewood City Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 17, 2012, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

March 14, 2012

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# Dave Yost • Auditor of State

LAKESWOOD CITY ACADEMY

CUYAHOGA 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  
MARCH 27, 2012