

LAKWOOD DIGITAL ACADEMY

*(A COMPONENT UNIT OF THE
LAKWOOD LOCAL SCHOOL DISTRICT)*

LICKING COUNTY

REGULAR AUDIT

JULY 1, 2008 – JUNE 30, 2009



Mary Taylor, CPA

Auditor of State

Board of Directors
Lakewood Digital Academy
525 East Main Street
P.O. Box 70
Hebron, Ohio 43025

We have reviewed the *Independent Auditors' Report* of the Lakewood Digital Academy, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 13, 2009

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**LAKWOOD DIGITAL ACADEMY
LICKING COUNTY**

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INDEPENDENT AUDITORS' REPORT

Lakewood Digital Academy
Licking County
525 East Main Street
P.O. Box 70
Hebron, Ohio 43025

To the Board of Directors:

We have audited the accompanying financial statements of the Lakewood Digital Academy, Licking County, Ohio (the Academy), a component unit of the Lakewood Local School District, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Academy's basic financial statements 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 Digital Academy, Licking County, Ohio as of June 30, 2009, and the respective changes in its financial position and its cash flows for the fiscal 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 October 20, 2009 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 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Lakewood Digital Academy
Licking County
Independent Auditors' Report

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

Wilson, Shanna & Snow, Inc.

October 20, 2009

LAKEWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009

Unaudited

The management's discussion and analysis of Lakewood Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

FINANCIAL HIGHLIGHTS

- Net Assets at June 30, 2009 were \$94,932.
- Operating revenues accounted for \$279,570 in revenue or 92% of all revenues.
- Capital asset additions of \$2,298 consisted of a laptop.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of two parts – management's discussion and analysis and the basic financial statements. These statements are organized so the reader can understand the financial position of the Academy. 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 statement of net assets represents the basic statement of position for the Academy. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from government-wide financial statements is included in the discussion and analysis.

The following tables represent the Academy's condensed financial information for 2009 and 2008 derived from the statement of net assets and the statement of revenues, expenses, and changes in net assets.

	Net Assets	
	2009	2008
Current and other assets	\$118,848	\$87,161
Capital assets, Net	66,916	96,673
Total assets	185,764	183,834
Other liabilities	90,832	59,210
Total liabilities	90,832	59,210
Net assets		
Invested in capital assets, net of related debt	66,916	96,673
Restricted	1,477	995
Unrestricted	26,539	26,956
Total net assets	\$94,932	\$124,624

LAKWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009*

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2009 and 2008:

	Change in Net Assets	
	2009	2008
Revenues		
Foundation Payments	\$279,570	\$266,167
All Other Revenue	0	300
Total revenues	<u>279,570</u>	<u>266,467</u>
Expenses		
Purchased Services	285,324	279,700
Supplies and Materials	3,870	7,110
Depreciation	32,055	32,194
Other Operating Expense	11,050	10,799
Total expenses	<u>332,299</u>	<u>329,803</u>
Operating Loss	(52,729)	(63,336)
Nonoperating Revenues (Expenses)		
Federal and State Restricted Grants	22,649	17,743
Investment Income	388	609
Loss on Disposal of Capital Assets	0	(214)
Total Nonoperating Revenues (Expenses)	<u>23,037</u>	<u>18,138</u>
Total Change in Net Assets	(29,692)	(45,198)
Net Assets Beginning of Year	<u>124,624</u>	<u>169,822</u>
Net Assets End of Year	<u>\$94,932</u>	<u>\$124,624</u>

The Academy operates as one business-type enterprise fund; therefore, no analysis of balances and transactions of individual funds are included in the discussion and analysis. Results of fiscal year 2009 indicate a decrease in net assets of \$29,692 and ending net assets of \$94,932. The decrease is the result of depreciation expense on capital assets.

BUDGET

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 Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy. The Academy has developed a five year projection that is reviewed twice a year by the Board of Directors.

LAKWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2009 the Academy had \$66,916 net of accumulated depreciation invested in equipment. The following table shows fiscal years 2009 and 2008:

	Business-Type Activities		Increase (Decrease)
	2009	2008	
Equipment	\$170,513	\$168,215	\$2,298
Less: Accumulated Depreciation	(103,597)	(71,542)	(32,055)
Totals	<u>\$66,916</u>	<u>\$96,673</u>	<u>(\$29,757)</u>

The increase in capital assets is due to the acquisition of a laptop. Additional information on the Academy's capital assets can be found in Note 4.

Debt

The Academy has not issued any debt.

ECONOMIC FACTORS

The Academy is sponsored by the Lakewood Local School District and is in its sixth year of operation. The Academy relies primarily on the State Foundation funds. 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 State and Federal funds that are made available to finance its operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors 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 Ms. Glenna Plaisted, Treasurer/CFO, Lakewood Digital Academy, 525 East Main Street, P.O. Box 70, Hebron, OH 43025-0070.

LAKWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

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LAKEWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Statement of Net Assets *June 30, 2009*

Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 115,509
Receivables:	
Intergovernmental	1,339
Prepaid Items	2,000
<i>Total Current Assets</i>	<u>118,848</u>
 <i>Non Current Assets:</i>	
Capital Assets, Net of Accumulated Depreciation	<u>66,916</u>
Total Assets	<u>185,764</u>
 Liabilities:	
<i>Current Liabilities:</i>	
Intergovernmental Payable	<u>90,832</u>
Total Liabilities	<u>90,832</u>
 Net Assets	
Invested in Capital Assets	66,916
Restricted For:	
Federally Funded Programs	1,477
Unrestricted	26,539
Total Net Assets	<u>\$ 94,932</u>

See accompanying notes to the basic financial statements

LAKEWOOD DIGITAL ACADEMY

*(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO*

Statement of Revenues, Expenses and Changes in Net Assets For the Fiscal Year Ended June 30, 2009

Operating Revenues:	
Foundation Payments	\$ 279,570
Total Operating Revenues	<u>279,570</u>
Operating Expenses:	
Purchased Services	285,324
Supplies and Materials	3,870
Depreciation	32,055
Other Operating Expense	11,050
Total Operating Expenses	<u>332,299</u>
Operating Loss	(52,729)
Nonoperating Revenue:	
Federal and State Restricted Grants	22,649
Investment Earnings	388
Total Nonoperating Revenues	<u>23,037</u>
Change in Net Assets	(29,692)
Net Assets Beginning of Year	<u>124,624</u>
Net Assets End of Year	<u>\$ 94,932</u>

See accompanying notes to the basic financial statements

LAKEWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Statement of Cash Flows For the Fiscal Year Ended June 30, 2009

<u>Cash Flows from Operating Activities:</u>	
Cash Received for School Foundation	\$279,570
Cash Payments for Goods and Services	(257,586)
Cash Payments for Other Expenses	(11,050)
Net Cash Provided by Operating Activities	<u>10,934</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal and State Restricted Grants Received	<u>21,827</u>
Net Cash Provided by Noncapital Financing Activities	<u>21,827</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(2,298)
Net Cash Used by Capital and Related Financing Activities	<u>(2,298)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipt of Interest	<u>388</u>
Net Cash Provided by Investing Activities	<u>388</u>
Net Increase in Cash and Cash Equivalents	30,851
Cash and Cash Equivalents at Beginning of Year	<u>84,658</u>
Cash and Cash Equivalents at End of Year	<u>\$115,509</u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Loss	(\$52,729)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	32,055
Changes in Assets and Liabilities:	
Increase in Intergovernmental Payables	<u>31,608</u>
Total Adjustments	<u>63,663</u>
Net Cash Provided by Operating Activities	<u>\$10,934</u>

See accompanying notes to the basic financial statements

LAKWOOD DIGITAL ACADEMY

*(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO*

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lakewood Digital Academy, Hebron, Ohio (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Management is not aware of any course of action or series of events that have occurred that might adversely affect the tax-exempt status. The Academy’s objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the kindergarten through grade 12 population. It is to be operated under a contract with the Lakewood Local School District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive and standards-based educational program. The Academy, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was certified by the State of Ohio Secretary as a non-profit organization on April 8, 2002. The Academy was approved for operation under a contract with the Lakewood Local School District (the “Sponsor”). 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 began accepting students on August 25, 2003.

The Academy operates under the direction of a five-member Board of Directors which consists of residents of Lakewood Local School District. The Academy is considered a component unit of the Lakewood Local School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. The Board of Directors 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 qualifications of teachers. The Treasurer of Lakewood Local School District is the Treasurer of the Academy.

The accounting policies and financial reporting practices of the Academy conform to generally accepted accounting principles as applicable 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 following is a summary of its significant accounting policies.

LAKEWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and change in net assets, and a statement of cash flows. Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

C. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Academy follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its enterprise funds.

Revenues – Exchange and Non-exchange Transactions – 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 and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

LAKWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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.

E. 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 Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, and investments with original maturities of three months or less. During fiscal year 2009, the Academy had no investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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 expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets and Depreciation

Capital assets are defined by the Academy as assets with an initial, individual or group cost of more than \$600.

1. Property, Plant and Equipment

Property, plant and equipment acquired by the Academy are stated at cost (or estimated historical cost). Contributed capital assets are recorded at fair market value at the date received.

LAKEWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

2. Depreciation

All capital assets are depreciated excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Furniture, Fixtures and Equipment	5

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. None of the restricted nets assets reported at June 30, 2009 were by enabling legislation.

J. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

K. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Academy, these revenues are foundation payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

LAKEWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

At year end the carrying amount of the Academy's deposits was of \$115,509 and the bank balance was \$120,316. The Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy will not be able to recover deposits. 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.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009 consisted of intergovernmental receivables. The total is for Federal Restricted Grant of which 100% is considered collectible.

NOTE 4 - CAPITAL ASSETS

Summary by category of changes in capital assets at June 30, 2009:

Historical Cost:

<u>Class</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
<i>Capital Assets being depreciated:</i>				
Equipment	\$168,215	\$2,298	\$0	\$170,513
Total Cost	\$168,215	\$2,298	\$0	\$170,513

Accumulated Depreciation:

<u>Class</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Equipment	(\$71,542)	(\$32,055)	\$0	(\$103,597)
Total Depreciation	(\$71,542)	(\$32,055)	\$0	(\$103,597)
<i>Net Value:</i>	\$96,673			\$66,916

LAKWOOD DIGITAL ACADEMY

*(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO*

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 5 – RELATED PARTY TRANSACTIONS

The Academy is a component unit of the Lakewood Local School District. As described in Note 1, the District is the Academy's sponsor. The Academy and the Sponsor entered into a 5-year sponsorship agreement on June 13, 2007 whereby terms of the sponsorship were established. Pursuant to this agreement, the Sponsor's Treasurer serves as the Academy's fiscal officer.

In fiscal year 2009, payments made by the Academy to the Sponsor totaled \$201,706. These represent payments for reimbursements for services provided by the Sponsor to the Academy. Also at fiscal year end, the Academy had an outstanding payable of \$90,818 to the Sponsor, for sponsorship payment, which is included in "Intergovernmental Payable" on the Statement of Net Assets.

NOTE 6 – SERVICE AGREEMENTS

A. Jefferson County ESC Virtual Learning Academy

The Academy entered into a one-year contract effective July 1, 2008 with Jefferson County ESC Virtual Learning Academy ("Jefferson ESC") for an online curriculum fully aligned to Ohio's Academic Content Standards. Under the contract, Jefferson ESC is required to provide the following services:

- 1) Jefferson ESC shall provide development and maintenance of the Lakewood Digital Academy's virtual learning database, including registration of students and faculty.
- 2) Provide technology professional development.
- 3) Provide daily online virtual learning technical support.
- 4) Provide marketing consultation, treasurer's office/EMIS support and intervention support.

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

District Database Setup Fee - \$2,000 annually

Student License Fee - \$175 per student allows the student to enroll in unlimited courses and is valid for 365 days from the date of enrollment. The Lakewood Digital Academy uses the teachers that are provided by Jefferson ESC, so an additional cost of \$210 is charged for a full year course and \$105 for a semester course.

For fiscal year 2009, the Academy remitted to Jefferson ESC a \$2,000 district database setup fee and \$59,184 for student license fees.

LAKEWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 6 – SERVICE AGREEMENTS (Continued)

B. Lakewood Local School District

The Sponsorship Contract and the annual Purchased Services Contracts with Lakewood Local School District outlines the specific payments to be made by the Academy to Lakewood Local School District during fiscal year 2009. In addition the Sponsorship Contract states that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Lakewood Local School District. The following payments were made in fiscal year 2009 from the Academy to Lakewood Local School District:

Purchased Services for Administrative and Fiscal Services	\$ 36,260
Annual Payments of 3% of Funding provided by the Ohio Department of Education (management fee)	8,387
Purchased Services for Director and Student Assistant Specialist	68,478
Purchased Services for Special Education Related Services	3,167
Sponsorship Payments	81,520
Miscellaneous	3,894
Total	<u>\$ 201,706</u>

NOTE 7 – PURCHASED SERVICES

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Contractual Services	\$ 282,289
Professional Services	1,100
Travel	213
Other	1,722
Total	<u>\$ 285,324</u>

NOTE 8 – 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 employees; and natural disasters. On August 1, 2003, the Academy was named as an additional insured party on Lakewood Local School District's, the Sponsor, insurance policy. As of July 1, 2008, the Sponsor obtained a policy with Ohio Casualty Insurance Company for general liability insurance and property insurance. The entire risk of loss, less any deductibles, transfers to the commercial carrier. The following limits and deductibles are in aggregate for both the Academy and the Sponsor. Ohio Casualty Insurance Company provides general liability coverage. The general liability coverage insures up to \$1,000,000 each occurrence and \$2,000,000 aggregate.

LAKWOOD DIGITAL ACADEMY

(A Component Unit of Lakewood Local School District)
LICKING COUNTY, OHIO

Notes to the Basic Financial Statements ***For the Fiscal Year Ended June 30, 2009***

NOTE 8 – RISK MANAGEMENT (Continued)

There has been no significant reduction in insurance coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Ohio Casualty Insurance Company provides property, crime, and equipment breakdown insurance coverage. The property coverage insures up to a blanket limit of \$1,000,000 with a \$5,000 deductible, commercial crime covers up to \$25,000. The limits and deductibles stated above are in aggregate for both the Academy and the Sponsor.

NOTE 9 - CONTINGENCIES

A. Grants

The Academy receives financial assistance from federal 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 Academy at June 30, 2009.

B. Litigation

The Academy is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2009.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. The Academy does not anticipate any material adjustments to state funding for fiscal year 2009 as a result of such review.

NOTE 10 – SUBSEQUENT EVENTS

Starting July 1, 2009, the Academy approved a one-year contract for the second consecutive year with Jefferson County ESC Virtual Learning Academy for an online curriculum fully aligned to Ohio's Academic Content Standards.



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

Board of Directors
Lakewood Digital Academy
Licking County
525 East Main Street
P.O. Box 70
Hebron, Ohio 43025

We have audited the financial statements of the of the Lakewood Digital Academy, Licking County, Ohio (the Academy), a component unit of the Lakewood Local School District, as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated October 20, 2009. 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance its applicable accounting basis such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Lakewood Digital Academy
Licking County
Report on Internal Control over Financial
Reporting and on Compliance and Other
Matters Based on an Audit Performed in
Accordance with *Government Auditing Standards*
Page 2

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

Compliance and Other Matters

As part 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 directly and materially affect the determination of the 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 intend this report solely for the information and use of the management, Board of Directors, the Academy's Sponsor and the Auditor of State. We intend it for no one other than these specified parties.

Wilson, Shuman & Sons, Inc.

Newark, Ohio
October 20, 2009



INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lakewood Digital Academy
Licking County
525 East Main Street
P.O. Box 70
Hebron, Ohio 43025

To the Board of Directors:

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

1. We noted the Board of the Lakewood Local School District adopted an anti-harassment policy at its meeting on December 10, 2007. The Academy has adopted all policies of the Lakewood Local School District in accordance with the Sponsorship Agreement.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is report;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its website, if the district has a website, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 is not intended to be and should not be used by anyone other than this specified party.

Wilson, Shannon & Sons, Inc.

Newark, Ohio
October 20, 2009



Mary Taylor, CPA
Auditor of State

LAKESWOOD DIGITAL ACADEMY

LICKING 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
DECEMBER 1, 2009