

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

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2012

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Lakewood City Academy
1470 Warren Road
Lakewood, Ohio 44107

We have reviewed the *Independent Auditor's Report* of the Lakewood City Academy, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 City Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 6, 2013

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LAKWOOD CITY ACADEMY
(A Component Unit of Lakewood City School District)
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakewood City Academy
Lakewood, Ohio

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, 2012 as listed in the table of contents. These financial statements are the responsibility of the Lakewood City Academy's management. Our responsibility is to express opinions 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 the 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 the 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 opinions.

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, 2012, and the changes in financial position, and cash flows thereof 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 December 14, 2012, on our consideration of the Lakewood City Academy, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 assurance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 14, 2012

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, 2012

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, 2012. 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 2012 are as follows:

- In total, net assets were \$503,571 at June 30, 2012.
- The Academy had operating revenues of \$929,613, operating expenses of \$1,084,883 and non-operating revenues of \$106,434 for fiscal year 2012. Total change in net assets for the fiscal year was a decrease of \$48,836.

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 2012?" 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 11-18 of this report.

LAKEWOOD CITY ACADEMY
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CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The table below provides a summary of the Academy's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	2012	2011
<u>Assets</u>		
Current assets	\$ 481,980	\$ 520,385
Capital assets, net	26,903	42,248
Total assets	508,883	562,633
<u>Liabilities</u>		
Current liabilities	5,312	10,226
Total liabilities	5,312	10,226
<u>Net Assets</u>		
Invested in capital assets	26,903	42,248
Restricted	12,752	21,953
Unrestricted	463,916	488,206
Total net assets	\$ 503,571	\$ 552,407

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Academy's net assets totaled \$503,571.

At year-end, capital assets represented 5.29% 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.

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, 2012

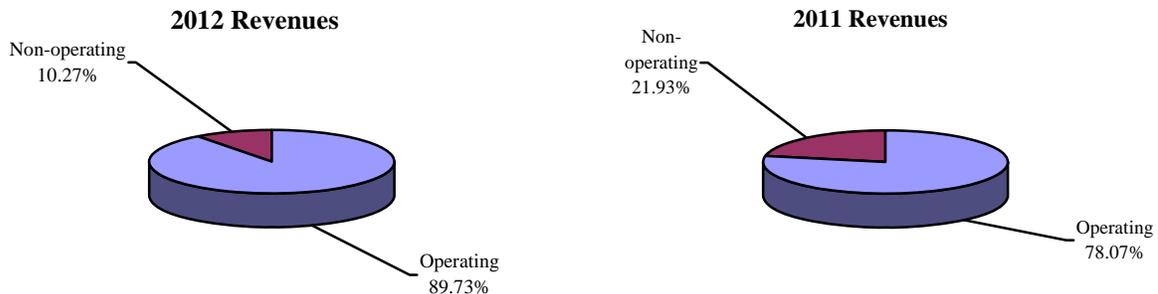
The table below shows the changes in net assets for fiscal year 2012 and 2011.

Change in Net Assets

	2012	2011
<u>Operating Revenues:</u>		
State foundation	\$ 925,064	\$ 922,268
Tuition and fees	395	783
Sales/charges for services	-	140
Other	4,154	3,963
Total operating revenues	929,613	927,154
<u>Operating Expenses:</u>		
Purchased services	1,035,794	1,029,466
Materials and supplies	22,379	27,046
Other	11,365	10,771
Depreciation	15,345	29,912
Total operating expenses	1,084,883	1,097,195
<u>Non-operating Revenues:</u>		
Federal and State grants	105,680	259,627
Interest income	754	793
Total non-operating revenues	106,434	260,420
Change in net assets	(48,836)	90,379
Net assets at beginning of year	552,407	462,028
Net assets at end of year	\$ 503,571	\$ 552,407

Operating revenues of the Academy increased only slightly by \$2,459 or 0.26%. Non-operating revenues decreased \$153,986 or 59.13% primarily due to a decrease in grants from the American Recovery and Reinvestment Act (ARRA) as well as other decreased grants. Operating expenses decreased \$12,312 or 1.12% due mainly to a decrease in depreciation expense.

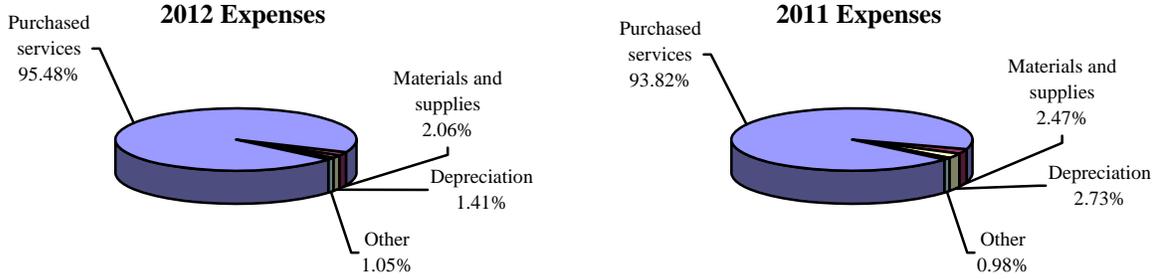
The chart below illustrates the revenues for the Academy during fiscal years 2012 and 2011.



LAKEWOOD CITY ACADEMY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The chart below illustrates the expenses for the Academy during fiscal years 2012 and 2011.



Capital Assets

At June 30, 2012, the Academy had \$26,903 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	
	2012	2011
Furniture and equipment	\$ 26,903	\$ 42,248

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 Tim Penton, Treasurer, Lakewood City Academy, 1470 Warren Road, Lakewood, Ohio 44107.

LAKWOOD CITY ACADEMY
(A Component Unit of Lakewood City School District)
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STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
<u>Current assets:</u>	
Cash and cash equivalents	\$ 469,856
Intergovernmental receivables	12,124
	481,980
<u>Non-current assets:</u>	
Depreciable capital assets, net	26,903
Total assets.	508,883
 Liabilities:	
<u>Current liabilities:</u>	
Accounts payable.	2,442
Intergovernmental payable	2,870
Total liabilities	5,312
 Net assets:	
Invested in capital assets	26,903
Restricted for:	
Public school support	140
Locally funded programs.	204
Federal programs	12,159
Other purposes.	249
Unrestricted.	463,916
Total net assets	\$ 503,571

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, 2012

Operating revenues:	
Foundation revenue	\$ 925,064
Tuition and fees	395
Other	4,154
Total operating revenues	<u>929,613</u>
Operating expenses:	
Purchased services.	1,035,794
Materials and supplies	22,379
Other.	11,365
Depreciation	15,345
Total operating expenses.	<u>1,084,883</u>
Operating loss	<u>(155,270)</u>
Non-operating revenues:	
Federal and State grants	105,680
Interest revenue	754
Total nonoperating revenues	<u>106,434</u>
Change in net assets.	(48,836)
Net assets at beginning of year	<u>552,407</u>
Net assets at end of year.	<u><u>\$ 503,571</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKWOOD CITY ACADEMY
(A Component Unit of Lakewood City School District)
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STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Cash received from State foundation	\$ 925,064
Cash received from tuition and fees	395
Cash received from other operations	4,154
Cash payments to suppliers for goods and services	(1,041,588)
Cash payments for materials and supplies	(21,499)
Cash payments for other expenses	(11,365)
	<hr/>
Net cash used in operating activities	(144,839)
	<hr/>
Cash flows from noncapital financing activities:	
Federal and State grants	114,820
	<hr/>
Net cash provided by noncapital financing activities.	114,820
	<hr/>
Cash flows from investing activities:	
Interest received	754
	<hr/>
Net cash provided by investing activities	754
	<hr/>
Net decrease in cash and cash equivalents	(29,265)
	<hr/>
Cash and cash equivalents at beginning of year	499,121
Cash and cash equivalents at end of year	\$ 469,856
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (155,270)
Adjustments:	
Depreciation	15,345
Changes in assets and liabilities:	
Increase in accounts payable.	1,106
(Decrease) in intergovernmental payable	(6,020)
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Net cash used in operating activities	\$ (144,839)
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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, 2012

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. The agreement was extended for fiscal years 2011 and 2012. 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 156 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, 2012

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
(A Component Unit of Lakewood City School District)
CUYAHOGA COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, One Net Connectivity grant, Ed jobs grant, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance 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
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CUYAHOGA COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2012 was \$105,680.

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, 2012, the carrying amount of the Academy's deposits was \$469,856. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$219,856 of the Academy's bank balance of \$469,856 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)
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year 2012 was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Furniture and equipment	\$ 166,742	\$ -	\$ -	\$ 166,742
Less: accumulated depreciation	<u>(124,494)</u>	<u>(15,345)</u>	<u>-</u>	<u>(139,839)</u>
Capital assets, net	<u>\$ 42,248</u>	<u>\$ (15,345)</u>	<u>\$ -</u>	<u>\$ 26,903</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 2012, 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 2012 purchased services expenses were as follows:

Professional and technical services	\$ 1,006,523
Property services	24,000
Travel mileage/meeting	130
Contracted craftor trade	4,158
Pupil transportation	<u>983</u>
Total	<u>\$ 1,035,794</u>

NOTE 7 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

LAKWOOD CITY ACADEMY
(A Component Unit of Lakewood City School District)
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - CONTINGENCIES - (Continued)

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.

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 anticipates no adjustments to State funding for fiscal year 2013 as a result of the reviews which have yet to be completed.

NOTE 8 - RECEIVABLES

The Academy had the following intergovernmental receivables at June 30, 2012:

Education jobs	\$ 3,281
Title VI-B	2,190
Title I	6,202
Title II-A	<u>451</u>
Total	<u>\$ 12,124</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 July 8, 2011, 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 2012, the Academy paid TRECA \$15,438 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.

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, 2012

NOTE 9 - SERVICE AGREEMENTS - (Continued)

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.

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 2012. 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 \$967,573 during the fiscal year 2012 for services rendered under the Community School Sponsorship Contract and the annual Purchased Services Contract.

NOTE 10 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2012, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

**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, 2012

NOTE 11 - SUBSEQUENT EVENT

On August 1, 2012, Tim Penton became the Treasurer of the Academy.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

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

To the Board of Directors
Lakewood City Academy
Lakewood, Ohio

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, 2012 and have issued our report thereon dated December 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Lakewood City Academy, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Lakewood City Academy, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lakewood City Academy, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lakewood City Academy, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Lakewood City Academy, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakewood City Academy, Ohio's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 14, 2012

LAKEWOOD CITY ACADEMY
(A Component Unit of Lakewood City School District)
CUYAHOGA COUNTY, OHIO
STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2012

The audit report for the prior year ended June 30, 2011, contained no findings or citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

LAKWOOD 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
FEBRUARY 19, 2013