

**LAKELAND ACADEMY  
COMMUNITY SCHOOL  
HARRISON COUNTY**

***REGULAR AUDIT***

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**



Rea & associates

[www.reacpa.com](http://www.reacpa.com)



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Lakeland Academy Community School  
101 East Main Street  
Freeport, Ohio 43973

We have reviewed the *Independent Auditor's Report* of Lakeland Academy Community School, Harrison County, prepared by Rea & Associates, Inc., for the audit period July 1, 2020 through June 30, 2022. 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. Lakeland Academy Community School is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

May 06, 2023

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**Lakeland Academy Community School  
Harrison County, Ohio**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lakeland Academy Community School  
Harrison County, Ohio  
101 E. Main Street  
Freeport, OH 43973

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Lakeland Academy Community School (the “Academy”), Harrison County, Ohio, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Lakeland Academy Community School, Harrison County, Ohio, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As described in Note 3, the Academy has presented for the first time basis financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This conversion from the cash basis of accounting to the accrual basis of accounting in 2021 required certain adjustments to be recorded, therefore net position was restated as of June 30, 2020.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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 is the responsibility of management and, 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 GAAS, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the Academy'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 solely 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 the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
New Philadelphia, Ohio  
March 29, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The discussion and analysis of the Lakeland Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2021. 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 2021 are as follows:

- In fiscal year 2021, the Academy prepared, for the first time since fiscal year 2009, financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Restatements necessary to implement this change in accounting principle are presented in Note 3.B. to the basic financial statements.
- In total, net position was \$206,739 at June 30, 2021.
- The Academy had operating revenues of \$561,938 and operating expenses of \$733,650 for fiscal year 2021.
- The Academy also received \$183,208 in non-operating revenue during fiscal year 2021.
- Total change in net position for fiscal year 2021 was an increase of \$11,496, from a restated beginning balance of \$195,243 to a balance of \$206,739.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* 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 Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2021?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The table below provides a summary of the Academy's net position at June 30, 2021. This is the Academy's first year for financial statements using the accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

	<b>Net Position</b>
	<u>2021</u>
<b><u>Assets</u></b>	
Current assets	\$ 209,571
Total assets	<u>209,571</u>
<b><u>Liabilities</u></b>	
Current liabilities	<u>2,832</u>
Total liabilities	<u>2,832</u>
<b><u>Net Position</u></b>	
Restricted	51,597
Unrestricted	<u>155,142</u>
Total net position	<u>\$ 206,739</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net position of the Academy increased \$11,496, which represents a 5.89% increase from a restated net position at June 30, 2020. The unrestricted net cash position of \$155,142 may be used for the Academy's ongoing operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The table below shows the changes in net position for fiscal year 2021. This is the Academy's first year for statements using the accrual basis of accounting; therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

**Change in Net Position**

	<u>2021</u>
<b><u>Operating Revenues:</u></b>	
Foundation payments	\$ 552,197
Other	<u>9,741</u>
Total operating revenue	<u>561,938</u>
<b><u>Operating Expenses:</u></b>	
Purchased services	655,599
Materials and supplies	49,441
Other	<u>28,610</u>
Total operating expenses	<u>733,650</u>
<b><u>Non-operating Revenues:</u></b>	
Grants and subsidies	<u>183,208</u>
Total non-operating revenues	<u>183,208</u>
Change in net position	11,496
Net position at beginning of year (restated)	<u>195,243</u>
Net position at end of year	<u><u>\$ 206,739</u></u>

The Academy's non-operating revenues were \$183,208 and operating revenues were \$561,938. Operating expenses were \$733,650. The net position of the Academy increased \$11,496. The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation basic aid. State foundation basic aid attributed to 74.11% of total operating and non-operating revenues during fiscal year 2021.

**Capital Assets and Debt Administration**

***Capital Assets***

The Academy does not have any capital assets as of June 30, 2021.

***Debt Administration***

The Academy does not have any debt obligations outstanding as of June 30, 2021.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Current Financial Related Activities**

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. In fiscal year 2012, the Academy began operations as a conversion school serving children in grades K-12.

The primary challenge today is the uncertainty of future funding. The fluctuation of the community school funding method, which bases monthly foundation payments on daily enrollment records of our students, makes it a constant challenge to meet the needs of the Academy.

The Jefferson County Educational Service Center is the fiscal agent of the Academy and provides all personnel to the Academy under a purchased services agreement. In addition, the Jefferson County ESC provides EMIS coordinator, internet technology, building and grounds, and Erate services under purchased service agreements.

The United States and the State of Ohio declared a state of emergency in March 2021 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Contacting the Academy's Financial Management**

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ethan Tice, Community School Treasurer, 2023 Sunset Blvd, Steubenville, Ohio 43952.

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BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
JUNE 30, 2021

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents	\$ 175,590
Receivables:	
Intergovernmental	33,981
Total assets	<u>209,571</u>

**Liabilities:**

Current liabilities:

Accounts payable	732
Intergovernmental payable	2,100
Total liabilities	<u>2,832</u>

**Net position:**

Restricted for state programs	45,416
Restricted for federal programs	6,181
Unrestricted	155,142
Total net position	<u>\$ 206,739</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<b>Operating revenues:</b>	
Foundation payments	\$ 552,197
Other	9,741
Total operating revenues	<u>561,938</u>
<b>Operating expenses:</b>	
Purchased services	655,599
Materials and supplies	49,441
Other	28,610
Total operating expenses	<u>733,650</u>
Operating loss	<u>(171,712)</u>
<b>Non-operating revenues:</b>	
Federal and state grants	183,208
Total non-operating revenues	<u>183,208</u>
Change in net position	11,496
<b>Net position at beginning of year (restated)</b>	<u>195,243</u>
<b>Net position at end of year</b>	<u>\$ 206,739</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<b>Cash flows from operating activities:</b>	
Cash received from state foundation	\$ 550,777
Cash received from other operations	9,741
Cash payments for contractual services	(655,175)
Cash payments for materials and supplies	(49,441)
Cash payments for other expenses	(28,610)
	(172,708)
Net cash used in operating activities	(172,708)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies	153,228
	153,228
Net cash provided by noncapital financing activities	153,228
Net decrease in cash and cash equivalents	(19,480)
<b>Cash and cash equivalents at beginning of year</b>	<b>195,070</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 175,590</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (171,712)
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(1,369)
(Decrease) in accounts payable	(1,676)
Increase in intergovernmental payable	2,049
	2,049
Net cash used in operating activities	\$ (172,708)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Lakeland Academy (the “Academy”), is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students served in grades K - 12. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution in fiscal year 2012, with North Central Ohio Educational Service Center for a period of five years ending on June 30, 2017 and extended through June 30, 2020. Effective July 2, 2021, the Academy was approved for sponsorship under contract resolution with the Educational Service Center of Lake Erie West (the “Sponsor”) for a period of two-year period commencing on July 1, 2020 and ending on June 30, 2022.

The Sponsor has a signed contract agreement with the Academy that includes state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The Academy pays up to a 3% sponsorship fee for oversight and monitoring, the amount paid to the Sponsor for the sponsorship fee was \$14,167 for 2021.

**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 more significant of the Academy’s policies are described below.

**A. Reporting Entity**

The following organizations are described due to their relationship with the Academy:

North Central Ohio Regional Council of Governments

North Central Ohio Regional Council of Governments (the “COG”) is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of Regional Council of Governments under Chapter 167 of the Ohio Revised Code. The COG is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

The initial, founding members, and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and the Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as fiscal agent. The COG issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

**B. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Academy uses enterprise accounting to track and report its financial activities. Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**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.

Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 they are incurred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**D. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). 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; therefore, no budgetary information is presented in the basic financial statements.

**E. Measurement Focus**

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

**F. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy did not report any deferred outflows of resources in fiscal year 2021.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Academy did not report any deferred inflows of resources in fiscal year 2021.

**G. Cash**

Cash held by the Academy is reflected as "cash" on the statement of net position. All monies received by the Academy are deposited in a demand deposit accounts. During fiscal year 2021, the Academy had no investments.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**I. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Academy maintains a capitalization threshold of \$5,000. The Academy does not possess any infrastructure. Improvements are capitalized; however, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	6 - 15 years

The Academy did not have any capital assets in fiscal year 2021.

**J. Intergovernmental Revenue**

The Academy has recently participated in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant and the Supporting Effective Instruction Title II-A grant, Title I Improving Basic Programs, Title IV-A Student Support and Academic Enrichment, the Coronavirus Relief Fund grant, and the Elementary and Secondary Education Emergency Relief grant. The Academy also received funding from the State of Ohio for Summer School Remediation, Student Wellness and Success, and Data Communication. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which payment is received by the Academy. Foundation payments for the fiscal year 2021 amounted to \$552,197.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as nonoperating revenues in the accounting period in which payment is received by the Academy. The Academy received \$183,208 in grants and entitlements during fiscal year 2021.

**K. Accrued Liabilities Payable**

The Academy has recognized certain liabilities on the statement of net position relating to expenses, which are due, but unpaid as of June 30, 2021 including:

*Accounts payable* - payments goods or services rendered or received prior to June 30 that were paid in the subsequent fiscal year.

*Intergovernmental payable* - payments due to other governments associated with services rendered during fiscal year 2021 that were paid in the subsequent fiscal year.

**L. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, these revenues are primarily State of Ohio foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Operating expenses include, salaries and wages, fringe benefits, purchased services, material and supplies, depreciation and other miscellaneous expenses. Revenues and expenses not meeting these definitions are reported as non-operating.

**N. Estimates**

The preparation of basic 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.

**O. Federal Tax Exemption Status**

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2021, the Academy had neither type of transaction.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the Academy has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Restatement of Net Position**

For the fiscal year ended June 30, 2021, the Academy has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In conjunction with this presentation, the Academy has converted to the accrual basis of accounting.

Under GAAP, the Academy's financial statements are prepared on the accrual basis of accounting. The conversion of the financial statements from the cash-basis of accounting to the accrual basis of accounting required certain adjustments to be recorded at June 30, 2020 to the net cash position as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatement to the June 30, 2020 net cash position follows:

	Business-type Activities
Net position as previously reported	\$ 195,070
Accrual basis adjustments:	
Assets	2,632
Liabilities	(2,459)
Net reporting basis adjustments	173
Restated net position at June 30, 2020	\$ 195,243

**NOTE 4 - DEPOSITS**

At June 30, 2021, the carrying amount of the Academy's deposits was \$175,590. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2021, the Academy's entire bank balance of \$175,590 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned. Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by financial institutions as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 5 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2021 purchased services expenses were as follows:

Professional and technical services	\$ 571,481
Property services	72,362
Communications	3,555
Utilities	7,701
Other	<u>500</u>
Total	<u>\$ 655,599</u>

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2021, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

<b>Intergovernmental Receivables:</b>	<u>Amount</u>
State foundation	\$ 1,369
Other amounts	<u>32,612</u>
Total	<u>\$ 33,981</u>

**NOTE 7 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. During the fiscal year 2021, the Academy contracted for various types of insurance through Liberty Mutual Insurance.

Settled claims have not exceeded this coverage in any of the past three years. There have been no significant reductions in coverage from last year.

**NOTE 8 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The Academy receives per pupil funding that is reported using the School Options Enrollment System. Each month the Ohio Department of Education uses the student information to adjust and validate the foundation funding of the Academy based on the current enrollment.

**B. Litigation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 9 - SERVICE AGREEMENT**

The Academy entered into service agreements effective August 1, 2019 with the Jefferson County Educational Service Center for staffing, EMIS coordinator, internet technology, building and grounds and Erate services. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$557,244 to the Jefferson County ESC for educational, fiscal and administrative services for the fiscal year ended June 30, 2021.

**NOTE 10 – OPERATING LEASE**

The Academy operates in the building located at 101 Main Street, Freeport, Ohio 43973. For fiscal year 2021, the Academy entered into a lease agreement with BMBR LLC to lease the building through July 31, 2021 for monthly payments of \$3,417.

**NOTE 11 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. The Academy's investment portfolio and the pension and other employee benefits plan in which the Academy participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During fiscal year 2021, the Academy received \$3,098 in the Coronavirus Relief funding.

**NOTE 12 – SUBSEQUENT EVENTS**

For fiscal year 2022, community school foundation funding received from the State of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

The Academy purchased a building subsequent to year end. The building was purchased to provide for additional classroom space that allows students to practice proper social distancing.

**INDEPENDENT AUDITOR’S 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 Education  
Lakeland Academy Community School  
Harrison County, Ohio  
101 E. Main Street  
Freeport, OH 43973

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Lakeland Academy Community School, Harrison County, Ohio (the “Academy”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated March 29, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2021-001.

### **Entity's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.  
New Philadelphia, Ohio  
March 29, 2023

**LAKELAND ACADEMY COMMUNITY SCHOOL**  
**HARRISON COUNTY, OHIO**  
*Schedule of Findings and Responses*  
*June 30, 2021*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number: 2021-001 – Material Non-compliance**

**Criteria:** Ohio Rev. Code § 3314.02(A)(8) states an "operator" or "management company" means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards. Therefore, the terms "operator" and "management company" are synonymous, and the footnote required by Ohio Rev. Code § 3314.024 applies to any entity meeting the definition in Ohio Rev. Code § 3314.02(A)(8).

Ohio Rev. Code (ORC) 3314.024 (A) & (B) states that a management company that receives more than twenty percent of the annual gross revenues of a community school shall provide a detailed accounting including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth in divisions (B) and (C) of this section, as applicable. In order to meet these requirements, management companies may elect to have the Auditor of State (or contracting IPA's) audit this information at the management company or may provide independently audited financial statements and a statement showing the direct and allocated indirect (e.g., overhead) expenses for each school it manages.

The companies should present this statement in a combining or consolidating format (i.e., present a column for each school). If a management company does not have audited financial statements or the audited financial statements do not present combining or consolidating columns for each of its schools, or if the management company's auditor does not provide opinion-level assurance on the combining or consolidating columns presenting each school, the Auditor of State will accept an agreed-upon procedures (AUP) report per AICPA Clarified Attestation Standards Section 215.

**Condition:** Jefferson County Educational Service Center, the Academy's operator in fiscal year 2021, received more than 20% of the Academy's annual gross revenue for fiscal year 2021. The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report, and therefore, the required management expenses footnote was not subject to the above mentioned procedures.

**Cause:** The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report.

**Effect:** The Academy did not disclose the required management expense footnote for fiscal year 2021. Without the required management expenses footnote and required procedures over the expenses, it could not be determined whether the expenses represent direct costs allocated to the Academy and are properly classified within respective object and functions codes required by Ohio Revised Code 3314.024 (A) & (B).

**Recommendation:** We recommend the Academy request that the operator prepare the required management expenses footnote to be included within the Academy's financial report, and subject the footnote to the above mentioned procedures to comply with the requirements of the above referenced ORC if future contracts involve operating the Academy.

**LAKELAND ACADEMY COMMUNITY SCHOOL**  
**HARRISON COUNTY, OHIO**  
*Schedule of Findings and Responses*  
*June 30, 2021*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**Finding Number: 2021-001 – Material Non-compliance**

**Management’s Response:** Jefferson County Educational Service Center (ESC) will implement procedures moving forward to ensure compliance with note disclosure requirements.



Lakeland Academy 101 East  
Main Street Freeport, OH 43973  
740-658-1042-phone 740-658-1062-fax  
[www.lakeland-academy.org](http://www.lakeland-academy.org)

*Summary Schedule of Prior Audit Findings  
June 30, 2021*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Filing of GAAP Financial Statements – Material Noncompliance	Finding fully corrected.	N/A
2020-002	Management Expenses Footnote – Material Noncompliance	Not corrected.	Corrective action was not taken to resolve finding.



**LAKELAND ACADEMY  
COMMUNITY SCHOOL  
HARRISON COUNTY**

*REGULAR AUDIT*

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**



Rea & associates

[www.reacpa.com](http://www.reacpa.com)

**Lakeland Academy Community School  
Harrison County, Ohio**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lakeland Academy Community School  
Harrison County, Ohio  
101 E. Main Street  
Freeport, OH 43973

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Lakeland Academy Community School (the “Academy”), Harrison County, Ohio, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Lakeland Academy Community School, Harrison County, Ohio, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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 is the responsibility of management and, 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 GAAS, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the Academy'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 solely 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 the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
New Philadelphia, Ohio  
March 29, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The discussion and analysis of the Lakeland Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2022. 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 2022 are as follows:

- In total, net position was \$390,543 at June 30, 2022.
- The Academy had operating revenues of \$658,381 and operating expenses of \$842,666 for fiscal year 2022.
- The Academy also received \$369,178 in non-operating revenue and had \$1,089 in nonoperating expenses during fiscal year 2022.
- Total change in net position for fiscal year 2022 was an increase of \$183,804, from a beginning balance of \$206,739 to a balance of \$390,543. The Academy purchased a building during fiscal year 2022.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* 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 Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2022?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The table below provides a summary of the Academy's net position at June 30, 2022 and 2021. Certain 2021 amounts have been restated as described in Note 3.

	<b>Net Position</b>	
	<u>2022</u>	<u>2021</u>
<b><u>Assets</u></b>		
Current assets	\$ 322,606	\$ 209,571
Capital assets, net	<u>77,339</u>	<u>43,332</u>
Total assets	<u>399,945</u>	<u>252,903</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,402	2,832
Non-current liabilities:		
Other amounts due in more than one year	<u>-</u>	<u>43,332</u>
Total liabilities	<u>9,402</u>	<u>46,164</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	73,936	-
Restricted	39,876	51,597
Unrestricted	<u>276,731</u>	<u>155,142</u>
Total net position	<u>\$ 390,543</u>	<u>\$ 206,739</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net position of the Academy increased \$183,804, which represents a 88.91% increase from net position at June 30, 2021. The unrestricted net cash position of \$276,731 may be used for the Academy's ongoing operations.

At year-end, capital assets represented 19.34% of total assets. Capital assets consisted of land, buildings, and intangible right to use assets. Net investment in capital assets at June 30, 2022, was \$73,936. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The table below shows the changes in net position for fiscal year 2022 and 2021.

**Change in Net Position**

	<u>2022</u>	<u>2021</u>
<b><u>Operating Revenues:</u></b>		
Foundation payments	\$ 658,381	\$ 552,197
Other	-	9,741
Total operating revenue	<u>658,381</u>	<u>561,938</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	684,960	655,599
Materials and supplies	102,031	49,441
Other	13,992	28,610
Depreciation/Amortization	<u>41,683</u>	<u>-</u>
Total operating expenses	<u>842,666</u>	<u>733,650</u>
<b><u>Non-operating Revenues (Expenses):</u></b>		
Grants and subsidies	369,178	183,208
Interest and fiscal charges	<u>(1,089)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>368,089</u>	<u>183,208</u>
Change in net position	183,804	11,496
Net position at beginning of year	<u>206,739</u>	<u>195,243</u>
Net position at end of year	<u>\$ 390,543</u>	<u>\$ 206,739</u>

The Academy's non-operating revenues were \$369,178 and operating revenues were \$658,381. Operating expenses were \$842,666 and nonoperating expenses were \$1,089. The net position of the Academy increased \$183,804. The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation basic aid. State foundation basic aid attributed to 64.07% of total operating and non-operating revenues during fiscal year 2022.

**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2022, the Academy had \$77,339 invested in capital assets, net of depreciation/amortization. See Note 10 to the basic financial statements for more detail on capital assets.

***Debt Administration***

At June 30, 2022, the Academy had \$3,403 in leases payable outstanding. Of this total, \$3,403 is due within one year. See Note 11 to the basic financial statements for more detail on long-term obligations.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Current Financial Related Activities**

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. In fiscal year 2012, the Academy began operations as a conversion school serving children in grades K-12.

The primary challenge today is the uncertainty of future funding. The fluctuation of the community school funding method, which bases monthly foundation payments on daily enrollment records of our students, makes it a constant challenge to meet the needs of the Academy.

The Jefferson County Educational Service Center is the fiscal agent of the Academy and provides all personnel to the Academy under a purchased services agreement. In addition, the Jefferson County ESC provides EMIS coordinator, internet technology, building and grounds, and Erate services under purchased service agreements.

The United States and the State of Ohio declared a state of emergency in March 2021 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Contacting the Academy's Financial Management**

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ethan Tice, Community School Treasurer, 2023 Sunset Blvd, Steubenville, Ohio 43952.

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
JUNE 30, 2022

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 245,452
Receivables:	
Intergovernmental	77,154
Total current assets	322,606
Non-current assets:	
Land	8,326
Capital assets, net of depreciation/amortization	69,013
Total non-current assets	77,339
Total assets	399,945
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	4,585
Intergovernmental payable	1,400
Leases payable	3,403
Accrued interest payable	14
Total liabilities	9,402
<b>Net position:</b>	
Investment in capital assets	73,936
Restricted for state programs	30,111
Restricted for federal programs	9,765
Unrestricted	276,731
Total net position	\$ 390,543

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<b>Operating revenues:</b>	
Foundation payments	\$ 658,381
Total operating revenues	<u>658,381</u>
<b>Operating expenses:</b>	
Purchased services	684,960
Materials and supplies	102,031
Other	13,992
Depreciation/amortization expense	41,683
Total operating expenses	<u>842,666</u>
Operating loss	<u>(184,285)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and state grants	369,178
Interest and fiscal charges	<u>(1,089)</u>
Total non-operating revenues (expenses)	<u>368,089</u>
Change in net position	183,804
<b>Net position at beginning of year</b>	<u>206,739</u>
<b>Net position at end of year</b>	<u>\$ 390,543</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<b>Cash flows from operating activities:</b>	
Cash received from state foundation	\$ 659,800
Cash payments for contractual services	(681,857)
Cash payments for materials and supplies	(102,031)
Cash payments for other expenses	(13,992)
	(138,080)
Net cash used in operating activities	(138,080)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies	324,636
	324,636
Net cash provided by noncapital financing activities	324,636
<b>Cash flows from capital and related financing activities:</b>	
Interest and fiscal charges	(1,075)
Principal retirement on lease payable	(39,929)
Acquisition of capital assets	(75,690)
	(116,694)
Net cash used in capital and related financing activities	(116,694)
Net increase in cash and cash equivalents	69,862
<b>Cash and cash equivalents at beginning of year</b>	<b>175,590</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 245,452</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (184,285)
Adjustments:	
Depreciation/amortization	41,683
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	1,369
Increase in accounts payable	3,853
(Decrease) in intergovernmental payable	(700)
	(700)
Net cash used in operating activities	\$ (138,080)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Lakeland Academy (the “Academy”), is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students served in grades K - 12. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution in fiscal year 2012, with North Central Ohio Educational Service Center for a period of five years ending on June 30, 2017 and extended through June 30, 2020. Effective July 2, 2021, the Academy was approved for sponsorship under contract resolution with the Educational Service Center of Lake Erie West (the “Sponsor”) for a period of two-year period commencing on July 1, 2020 and ending on June 30, 2022. The sponsorship agreement has been renewed.

The Sponsor has a signed contract agreement with the Academy that includes state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The Academy pays up to a 3% sponsorship fee for oversight and monitoring, the amount paid to the Sponsor for the sponsorship fee was \$17,793 for 2022.

**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 more significant of the Academy’s policies are described below.

**A. Reporting Entity**

The following organizations are described due to their relationship with the Academy:

North Central Ohio Regional Council of Governments

North Central Ohio Regional Council of Governments (the “COG”) is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of Regional Council of Governments under Chapter 167 of the Ohio Revised Code. The COG is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial, founding members, and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and the Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as fiscal agent. The COG issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

**B. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Academy uses enterprise accounting to track and report its financial activities. Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**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.

Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 they are incurred.

**D. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). 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; therefore, no budgetary information is presented in the basic financial statements.

**E. Measurement Focus**

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

**F. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy did not report any deferred outflows of resources in fiscal year 2022.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Academy did not report any deferred inflows of resources in fiscal year 2022.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

**G. Cash**

Cash held by the Academy is reflected as “cash” on the statement of net position. All monies received by the Academy are deposited in a demand deposit accounts. During fiscal year 2022, the Academy had no investments.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**I. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Academy maintains a capitalization threshold of \$5,000. The Academy does not possess any infrastructure. Improvements are capitalized; however, 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.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	6 - 15 years
Intangible leased asset	5 years

The Academy is reporting intangible right to use assets related to leased buildings. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

**J. Intergovernmental Revenue**

The Academy has recently participated in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant and the Supporting Effective Instruction Title II-A grant, Title I Improving Basic Programs, Title IV-A Student Support and Academic Enrichment, the Coronavirus Relief Fund grant, and the Elementary and Secondary Education Emergency Relief grant. The Academy also received funding from the State of Ohio for Summer School Remediation, Student Wellness and Success, and Data Communication. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which payment is received by the Academy. Foundation payments for the fiscal year 2022 amounted to \$658,381.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as nonoperating revenues in the accounting period in which payment is received by the Academy. The Academy received \$369,178 in grants and entitlements during fiscal year 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

**K. Accrued Liabilities Payable**

The Academy has recognized certain liabilities on the statement of net position relating to expenses, which are due, but unpaid as of June 30, 2022 including:

*Accounts payable* - payments goods or services rendered or received prior to June 30 that were paid in the subsequent fiscal year.

*Intergovernmental payable* - payments due to other governments associated with services rendered during fiscal year 2022 that were paid in the subsequent fiscal year.

**L. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Academy’s primary mission. For the Academy, these revenues are primarily State of Ohio foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Operating expenses include, salaries and wages, fringe benefits, purchased services, material and supplies, depreciation and other miscellaneous expenses. Revenues and expenses not meeting these definitions are reported as non-operating.

**N. Estimates**

The preparation of basic 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.

**O. Federal Tax Exemption Status**

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Trustees and that are either unusual in nature or infrequent in occurrence. During fiscal year 2022, the Academy had neither type of transaction.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2022, the Academy has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the Academy's fiscal year 2022 financial statements. The Academy recognized \$43,332 in governmental activities in leases payable at July 1, 2021; however, this entire amount was offset by the intangible asset, right to use lease - equipment.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Academy.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Academy.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Academy.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Academy.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2022, the carrying amount of Academy deposits was \$245,452 and the bank balance of Academy deposits was \$301,062. Of the bank balance, \$250,000 was covered by the FDIC and \$51,062 was uninsured and collateralized by securities held by the financial institution's trust department or agent but not in the name of the Academy. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**NOTE 5 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2022 purchased services expenses were as follows:

Professional and technical services	\$ 556,395
Property services	112,480
Travel and meetings	1,565
Communications	3,295
Utilities	<u>11,225</u>
Total	<u>\$ 684,960</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2022, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

<b>Intergovernmental Receivables:</b>	<u>Amount</u>
Other amounts	<u>\$ 77,154</u>

**NOTE 7 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. During the fiscal year 2022, the Academy contracted for various types of insurance through Liberty Mutual Insurance.

Settled claims have not exceeded this coverage in any of the past three years. There have been no significant reductions in coverage from last year.

**NOTE 8 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The Academy receives per pupil funding that is reported using the School Options Enrollment System. Each month the Ohio Department of Education uses the student information to adjust and validate the foundation funding of the Academy based on the current enrollment.

**B. Litigation**

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

**NOTE 9 - SERVICE AGREEMENT**

The Academy entered into service agreements effective August 1, 2019 with the Jefferson County Educational Service Center for staffing, EMIS coordinator, internet technology, building and grounds and Erate services. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$628,439 to the Jefferson County ESC for educational, fiscal and administrative services for the fiscal year ended June 30, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 10 - CAPITAL ASSETS**

Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the Academy has reported capital assets for the right to use leased building which are reflected in the schedule below. Capital asset activity for the Academy for the fiscal year ended June 30, 2022, was as follows:

	Restated Balance <u>07/01/21</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/22</u>
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ -	\$ 8,326	\$ -	\$ 8,326
<i>Capital assets, being depreciated/amortized:</i>				
Buildings and improvements	-	67,364	-	67,364
Intangible right to use:				
Leased building	<u>43,332</u>	<u>-</u>	<u>-</u>	<u>43,332</u>
Total capital assets, being amortized	<u>43,332</u>	<u>67,364</u>	<u>-</u>	<u>110,696</u>
<i>Less: accumulated depreciation/amortization:</i>				
Buildings and improvements	-	(1,684)	-	(1,684)
Intangible right to use:				
Leased building	<u>-</u>	<u>(39,999)</u>	<u>-</u>	<u>(39,999)</u>
Total accumulated depreciation/amortization	<u>-</u>	<u>(41,683)</u>	<u>-</u>	<u>(41,683)</u>
Total capital assets, being depreciated/amortized, net	<u>43,332</u>	<u>25,681</u>	<u>-</u>	<u>69,013</u>
Business-type activities capital assets, net	<u>\$ 43,332</u>	<u>\$ 34,007</u>	<u>\$ -</u>	<u>\$ 77,339</u>

Depreciation/amortization expense was charged to governmental functions as follows:

Academy	<u>\$ 41,683</u>
Total depreciation/amortization expense	<u>\$ 41,683</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - LONG-TERM OBLIGATIONS**

Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the District has reported obligations for leases payable which are reflected in the schedule below. During fiscal year 2022, the following activity occurred in business-type activities long-term obligations:

	Restated Balance Outstanding 7/1/21	Additions	Reductions	Balance Outstanding 6/30/22	Amounts Due in One Year
<i><b>Business-type activities</b></i>					
Lease payable	\$ 43,332	\$ -	\$ (39,929)	\$ 3,403	\$ 3,403
Total long-term obligations	<u>\$ 43,332</u>	<u>\$ -</u>	<u>\$ (39,929)</u>	<u>\$ 3,403</u>	<u>\$ 3,403</u>

Leases Payable - The Academy has entered into lease agreements for the use of right to use a building. Due to the implementation of GASB Statement No. 87, the Academy will report an intangible capital asset and corresponding liability for the future scheduled payments under the lease.

The Academy has entered into lease agreements for copier equipment and buses at varying years and terms as follows:

<u>Purpose</u>	<u>Lease Commencement Date</u>	<u>Years</u>	<u>Lease End Date</u>	<u>Payment Method</u>
Building	2020	2	2022	Monthly

The following is a schedule of future lease payments under the lease agreements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,403	\$ 14	\$ 3,417
Total	<u>\$ 3,403</u>	<u>\$ 14</u>	<u>\$ 3,417</u>

**NOTE 12 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the Academy received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



**INDEPENDENT AUDITOR’S 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 Education  
Lakeland Academy Community School  
Harrison County, Ohio  
101 E. Main Street  
Freeport, OH 43973

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Lakeland Academy Community School, Harrison County, Ohio (the “Academy”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated March 29, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-002 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2022-001.

### **Entity's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Academy's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.  
New Philadelphia, Ohio  
March 29, 2023

**LAKELAND ACADEMY COMMUNITY SCHOOL**  
**HARRISON COUNTY, OHIO**  
*Schedule of Findings and Responses*  
*June 30, 2022*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2022-001 – Material Non-compliance**

**Criteria:** Ohio Rev. Code § 3314.02(A)(8) states an "operator" or "management company" means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards. Therefore, the terms "operator" and "management company" are synonymous, and the footnote required by Ohio Rev. Code § 3314.024 applies to any entity meeting the definition in Ohio Rev. Code § 3314.02(A)(8).

Ohio Rev. Code (ORC) 3314.024 (A) & (B) states that a management company that receives more than twenty percent of the annual gross revenues of a community school shall provide a detailed accounting including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth in divisions (B) and (C) of this section, as applicable. In order to meet these requirements, management companies may elect to have the Auditor of State (or contracting IPA's) audit this information at the management company or may provide independently audited financial statements and a statement showing the direct and allocated indirect (e.g., overhead) expenses for each school it manages.

The companies should present this statement in a combining or consolidating format (i.e., present a column for each school). If a management company does not have audited financial statements or the audited financial statements do not present combining or consolidating columns for each of its schools, or if the management company's auditor does not provide opinion-level assurance on the combining or consolidating columns presenting each school, the Auditor of State will accept an agreed-upon procedures (AUP) report per AICPA Clarified Attestation Standards Section 215.

**Condition:** Jefferson County Educational Service Center, the Academy's operator in fiscal year 2022, received more than 20% of the Academy's annual gross revenue for fiscal year 2022. The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report, and therefore, the required management expenses footnote was not subject to the above mentioned procedures.

**Cause:** The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report.

**Effect:** The Academy did not disclose the required management expense footnote for fiscal year 2021. Without the required management expenses footnote and required procedures over the expenses, it could not be determined whether the expenses represent direct costs allocated to the Academy and are properly classified within respective object and functions codes required by Ohio Revised Code 3314.024 (A) & (B).

**Recommendation:** We recommend the Academy request that the operator prepare the required management expenses footnote to be included within the Academy's financial report, and subject the footnote to the above mentioned procedures to comply with the requirements of the above referenced ORC if future contracts involve operating the Academy.

**LAKELAND ACADEMY COMMUNITY SCHOOL**  
**HARRISON COUNTY, OHIO**  
*Schedule of Findings and Responses*  
*June 30, 2022*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**Finding Number: 2022-001 – Material Non-compliance**

**Management’s Response:** Jefferson County Educational Service Center (ESC) will implement procedures moving forward to ensure compliance with note disclosure requirements.

**Finding Number: 2022-002 – Material Weakness – Financial Reporting**

**Criteria:** The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**Condition:** Audit adjustments were made to the financial statements presented for audit.

**Cause:** The Academy improperly recorded the building/land purchase as a purchased service expense instead of capitalizing the asset in accordance with their board approved capital asset policy. When the financial statements were prepared, purchased services expense was overstated by \$75,690 and non-depreciable assets-land (\$8,326), depreciable capital assets-building (\$67,364), depreciation expense (\$1,684) were understated.

**Effect:** The financial statements required the above entries to correctly reflect the building/land purchase.

**Recommendation:** We recommend the Academy record all capital asset purchases in accordance with their board approved capital asset policy, and that the financial statements are thoroughly reviewed by the Treasurer prior to submitting them for audit.

**Management’s Response:** Management will implement additional internal controls over the identification of capital asset additions to avoid misstatements in future years.



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*Summary Schedule of Prior Audit Findings  
June 30, 2022*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2021-001	Management Expenses Footnote – Material Noncompliance	Not corrected	Corrective action was not taken to resolve finding.

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# OHIO AUDITOR OF STATE KEITH FABER



**LAKELAND ACADEMY COMMUNITY SCHOOL**

**HARRISON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/18/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)