

LAKELAND ACADEMY  
COMMUNITY SCHOOL  
HARRISON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED  
JUNE 30, 2020 - 2019



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

Board of Directors  
Lakeland Academy Community School  
101 E. Main St.  
Freeport, OH 43973

We have reviewed the *Independent Auditor's Report* of the Lakeland Academy Community School, Harrison County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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

January 4, 2021

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

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December 11, 2020

Board of Trustees and Management  
Lakeland Academy Community School  
101 E. Main Street  
Freeport, OH 43973

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying cash-basis financial statements of the Lakeland Academy Community School, Harrison County, Ohio, (the "Academy") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Lakeland Academy Community School, Harrison County, Ohio, as of June 30, 2020 and 2019, and the respective changes in cash financial position for the years then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of a Matter***

As described in Note 10 for the fiscal years ended June 30, 2020 and June 30, 2019, the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the Academy. Our opinion is not modified with respect to this matter.

***Other Matters***

***Other Information***

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020. 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 2020 are as follows:

- In total, net cash position was \$195,070 at June 30, 2020.
- The Academy had operating revenues of \$485,543 and operating expenses of \$610,894 for fiscal year 2020.
- The Academy also received \$110,519 in non-operating revenue during fiscal year 2020.
- Total change in net cash position for fiscal year 2020 was a decrease of \$14,832, from a beginning balance of \$209,902 to a balance of \$195,070.

**Using these Cash Basis 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 – cash basis and statement of revenues, expenses and changes in net position – cash basis provides information about the activities of the Academy.

**Reporting the Academy's Financial Activities**

***Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position - Cash Basis***

These documents look at all financial transactions and ask the question, "How did the Academy do financially during 2020?" The statement of net position – cash basis and the statement of revenues, expenses and changes in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash is actually received or paid.

These two statements report the Academy's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the Academy as a whole, the cash basis 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.

***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, 2020**

The table below provides a summary of the Academy's net cash position for fiscal years 2020 and 2019.

	<b>Net Cash Position</b>	
	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Current assets	\$ 195,070	\$ 209,902
Total assets	<u>195,070</u>	<u>209,902</u>
<b><u>Net Cash Position</u></b>		
Restricted	21,770	-
Unrestricted	<u>173,300</u>	<u>209,902</u>
Total net cash position	<u>\$ 195,070</u>	<u>\$ 209,902</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net cash position of the Academy decreased \$14,832, which represents a 7.06% decrease from net cash position at June 30, 2019. The unrestricted net cash position of \$173,300 may be used for the Academy's ongoing operations.

The table below shows the changes in net position for fiscal year 2020 and 2019.

	<b>Change in Net Cash Position</b>	
	<u>2020</u>	<u>2019</u>
<b><u>Operating Revenues</u></b>		
Foundation payments	\$ 481,395	\$ 506,797
Other	<u>4,148</u>	<u>4,610</u>
Total operating revenues	<u>485,543</u>	<u>511,407</u>
<b><u>Operating Expenses</u></b>		
Purchased services	568,376	612,652
Materials and supplies	32,523	21,013
Other	<u>9,995</u>	<u>18,817</u>
Total operating expenses	<u>610,894</u>	<u>652,482</u>
<b><u>Non-operating revenues</u></b>		
Federal and state grants	<u>110,519</u>	<u>84,329</u>
Total non-operating revenues	<u>110,519</u>	<u>84,329</u>
Change in net cash position	(14,832)	(56,746)
Net cash position at beginning of year	<u>209,902</u>	<u>266,648</u>
Net cash position at end of year	<u>\$ 195,070</u>	<u>\$ 209,902</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The Academy had an increase in non-operating revenues of \$26,190, or 31.06% and a decrease in operating revenues of \$25,864 or 5.06%. Operating expenses decreased \$41,588 or 6.37% primarily due to a decrease in purchased services expenses. The net cash position of the Academy decreased \$14,832. The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation basic aid. State foundation basic aid and special education attributed to 80.76% of total operating and non-operating revenues during fiscal year 2020. The increase in federal and state grants is due to the student wellness and success grant being new in fiscal year 2020. The decrease in purchased services is due to the change in the purchased service provider in fiscal year 2020.

**Capital Assets and Debt Administration**

*Capital Assets*

The Academy does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

*Debt Administration*

The Academy does not have any debt obligations outstanding as of June 30, 2020.

**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 2020 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 Don Donahue, Community School Treasurer, 2023 Sunset Blvd, Steubenville, Ohio 43952.

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2020

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents . . . . .	\$ 195,070
Total assets. . . . .	<u>195,070</u>

**Net cash position:**

Restricted for state programs. . . . .	21,770
Unrestricted. . . . .	<u>173,300</u>
Total net cash position. . . . .	<u>\$ 195,070</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 - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Operating revenues:</b>	
Foundation payments. . . . .	\$ 481,395
Other. . . . .	4,148
Total operating revenues . . . . .	<u>485,543</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	568,376
Materials and supplies . . . . .	32,523
Other. . . . .	9,995
Total operating expenses. . . . .	<u>610,894</u>
Operating loss. . . . .	<u>(125,351)</u>
<b>Non-operating revenues:</b>	
Federal and state grants. . . . .	110,519
Total non-operating revenues. . . . .	<u>110,519</u>
Change in net cash position . . . . .	(14,832)
<b>Net cash position at beginning of year. . . . .</b>	<u>209,902</u>
<b>Net cash position at end of year . . . . .</b>	<u><u>\$ 195,070</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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 (the “Sponsor”) for a period of five years ending on June 30, 2017. The Academy entered into an amended Sponsorship contract with the Sponsor through June 30, 2020.

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 \$15,443 for 2020.

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

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy’s accounting policies.

**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, 2020**

**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 and a statement of revenues, expenses and change in net position. The statement of net position presents the cash balance of the business-type activities of the Academy at fiscal year-end.

The statement of revenues, expenses and changes in net position compares disbursements with receipts for each function of the Academy's business-type activities.

**C. Basis of Accounting**

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

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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. Cash**

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates cash into separate funds.

**F. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Inventory and Prepaid Items**

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation 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.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales/charges for services. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**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, and Title IV-A Student Support and Academic Enrichment. 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 2020 amounted to \$481,395.

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 \$110,519 in grants and entitlements during fiscal year.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For the fiscal year ended June 30, 2020, the Academy has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the Academy also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases 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 government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the Academy.

For the fiscal year ended June 30, 2020, the Academy has (to the extent it applies to the cash basis of accounting) early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 92 *Omnibus 2020*.

GASB Statement No. 89 requires that interest costs 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 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.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

Jefferson County Educational Service Center, the Academy's operator, received more than 20% of the Academy's annual gross revenue for fiscal year 2020. The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report in accordance with Ohio Revised Code (ORC) 3314.024 (A) & (B).

**NOTE 4 - DEPOSITS**

At June 30, 2020, the carrying amount of the Academy's deposits was \$195,070. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2020, the Academy's entire bank balance of \$201,472 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 School'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, 2020**

**NOTE 5 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2020 purchased services expenses were as follows:

Professional and technical services	\$ 484,403
Property services	61,283
Travel and meetings	1,274
Communications	13,410
Utilities	7,440
Other	<u>566</u>
Total	<u>\$ 568,376</u>

**NOTE 6 - 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 2020, 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 7 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability 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.

**C. State Foundation Funding**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 7 – CONTINGENCIES – (Continued)**

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has not performed an FTE Review on the Academy for fiscal year 2020.

As of the date of this report, all ODE adjustments have been completed.

In addition, the Academy contracts with their Sponsor requires payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2020 have been completed. A reconciliation between payments previously made and the FTE adjustments have taken place with this contract.

**NOTE 8 - 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 \$458,887 to the Jefferson County ESC for educational, fiscal and administrative services for the fiscal year ended June 30, 2020.

**NOTE 9 – OPERATING LEASE**

The Academy operates in the building located at 101 Main Street, Freeport, Ohio 43973. For fiscal year 2020, the Sponsor leased the facility and the costs were paid by the Academy as part of the service agreement. Effective June 30, 2020, 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 10 – SUBSEQUENT EVENTS**

The Academy entered into a Sponsorship Agreement with the Educational Service Center of Lake Erie West effective July 1, 2020.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuring 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019. 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 2019 are as follows:

- In total, net cash position was \$209,902 at June 30, 2019.
- The Academy had operating revenues of \$511,407 and operating expenses of \$652,482 for fiscal year 2019.
- The Academy also received \$84,329 in non-operating revenue during fiscal year 2019.
- Total change in net cash position for fiscal year 2019 was a decrease of \$56,746, from a beginning balance of \$266,648 to a balance of \$209,902.

**Using these Cash Basis 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 – cash basis and statement of revenues, expenses and changes in net position – cash basis provides information about the activities of the Academy.

**Reporting the Academy's Financial Activities**

***Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position - Cash Basis***

These documents look at all financial transactions and ask the question, "How did the Academy do financially during 2019?" The statement of net position – cash basis and the statement of revenues, expenses and changes in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash is actually received or paid.

These two statements report the Academy's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the Academy as a whole, the cash basis 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.

***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, 2019**

The table below provides a summary of the Academy's net cash position for fiscal years 2019 and 2018.

	<b>Net Cash Position</b>	
	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
Current assets	\$ 209,902	\$ 266,648
Total assets	<u>209,902</u>	<u>266,648</u>
<b><u>Net Cash Position</u></b>		
Unrestricted	<u>209,902</u>	<u>266,648</u>
Total net cash position	<u>\$ 209,902</u>	<u>\$ 266,648</u>

Over time, net position can serve as a useful indicator of a government's financial position. Total net cash position of the Academy decreased \$56,746, which represents a 21.28% decrease from net cash position at June 30, 2018. The balance of unrestricted net cash position may be used for the Academy's ongoing operations.

The table below shows the changes in net position for fiscal year 2019 and 2018.

	<b>Change in Net Cash Position</b>	
	<u>2019</u>	<u>2018</u>
<b><u>Operating Revenues</u></b>		
Foundation payments	\$ 506,797	\$ 578,093
Other	4,610	161
Total operating revenues	<u>511,407</u>	<u>578,254</u>
<b><u>Operating Expenses</u></b>		
Purchased services	612,652	609,599
Materials and supplies	21,013	14,698
Capital outlay	-	3,818
Other	18,817	12,846
Total operating expenses	<u>652,482</u>	<u>640,961</u>
<b><u>Non-operating revenues</u></b>		
Federal and state grants	<u>84,329</u>	<u>97,346</u>
Total non-operating revenues	<u>84,329</u>	<u>97,346</u>
Change in net cash position	(56,746)	34,639
Net cash position at beginning of year	<u>266,648</u>	<u>232,009</u>
Net cash position at end of year	<u>\$ 209,902</u>	<u>\$ 266,648</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The Academy had a decrease in non-operating revenues of \$13,017, or 13.37% and a decrease in operating revenues of \$66,847 or 11.56%. These decreases are primarily due to a decrease in student full-time equivalents. Operating expenses increased \$11,521 or 1.79% primarily due to an increase in materials and supplies and other expenses. The net cash position of the Academy decreased \$56,746.

**Capital Assets and Debt Administration**

***Capital Assets***

The Academy does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

***Debt Administration***

The Academy does not have any debt obligations outstanding as of June 30, 2019.

**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.

Pursuant to a Sponsorship Agreement, the Sponsor is the fiscal agent of the Academy and provides all personnel to the Academy under a purchased service contract. In addition, the Sponsor receives the right to provide such additional local resources as are necessary to reasonably assure the operational viability of the Academy, including but not limited to: staff, equipment, instructional materials, curriculum, transportation, insurance coverage, and educational strategies as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

**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 Don Donahue, Community School Treasurer, 2023 Sunset Blvd, Steubenville, Ohio 43952.



BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2019

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents . . . . .	\$ 209,902
Total assets. . . . .	<u>209,902</u>

**Net cash position:**

Unrestricted. . . . .	<u>209,902</u>
Total net cash position. . . . .	<u>\$ 209,902</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 - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Operating revenues:</b>	
Foundation payments. . . . .	\$ 506,797
Other . . . . .	4,610
Total operating revenues . . . . .	<u>511,407</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	612,652
Materials and supplies . . . . .	21,013
Other. . . . .	18,817
Total operating expenses. . . . .	<u>652,482</u>
Operating loss. . . . .	<u>(141,075)</u>
<b>Non-operating revenues:</b>	
Federal and state grants. . . . .	84,329
Total non-operating revenues. . . . .	<u>84,329</u>
Change in net cash position . . . . .	(56,746)
<b>Net cash position at beginning of year. . . . .</b>	<u>266,648</u>
<b>Net cash position at end of year . . . . .</b>	<u>\$ 209,902</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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 (the “Sponsor”) for a period of five years ending on June 30, 2017. The Academy entered into an amended Sponsorship contract with the Sponsor through June 30, 2020.

The Sponsor has a signed contract agreement with the Academy that includes all purchased services including a licensed Treasurer, staff, therapists, etc. 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 service contract for the fiscal year 2019 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy’s use by the Sponsor including, but not limited, to portions of the Sponsor’s facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor’s sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor’s cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3% sponsorship fee for oversight and monitoring, the amount paid to the Sponsor for the sponsorship fee was \$13,884 for 2019.

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

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy’s accounting policies.

**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, 2019**

**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 and a statement of revenues, expenses and change in net position. The statement of net position presents the cash balance of the business-type activities of the Academy at fiscal year-end.

The statement of revenues, expenses and changes in net position compares disbursements with receipts for each function of the Academy's business-type activities.

**C. Basis of Accounting**

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

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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. Cash**

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates cash into separate funds.

**F. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Inventory and Prepaid Items**

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation 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.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales/charges for services. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**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 Improving Teacher Quality Title II-A grant, Title I Improving Basic Programs, and Title IV-A Student Support and Academic Enrichment. 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 2019 amounted to \$506,797.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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 \$84,329 in grants and entitlements during fiscal year.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2019, the Academy has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Academy.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the Academy.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

North Central Ohio Educational Service Center, the Academy's operator, received more than 20% of the Academy's annual gross revenue for fiscal year 2019. The Academy's operator did not prepare the required management expenses footnote to be included within the Academy's financial report in accordance with Ohio Revised Code (ORC) 3314.024 (A) & (B).

**NOTE 4 - DEPOSITS**

At June 30, 2019, the carrying amount of the Academy's deposits was \$209,902. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2019, the Academy's entire bank balance of \$218,684 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 – DEPOSITS – (Continued)**

Custodial credit risk is the risk that in the event of bank failure, the Academy’s deposits may not be returned. Protection of the School’s deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the financial institution 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.

**NOTE 5 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2019, purchased services expenses were as follows:

Professional and technical services	\$ 535,351
Property services	51,985
Travel and meetings	1,479
Communications	15,127
Utilities	7,522
Other	<u>1,188</u>
Total	<u>\$ 612,652</u>

**NOTE 6 - 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 2019, 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 7 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability 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, 2019**

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

**C. State Foundation Funding**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has not performed an FTE Review on the Academy for fiscal year 2019.

As of the date of this report, all ODE adjustments have been completed.

In addition, the Academy contracts with their Sponsor requires payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2019 have been completed. A reconciliation between payments previously made and the FTE adjustment has taken place with this contract.

**NOTE 8 - SERVICE AGREEMENT**

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$444,641 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2019.

**NOTE 9 – OPERATING LEASE**

The Academy operates in the building located at 101 Main Street, Freeport, Ohio 43973. For fiscal year 2019, the Sponsor leased the facility and the costs were paid by the Academy as part of the service agreement.

**NOTE 10 – SUBSEQUENT EVENTS**

The Academy entered into a fiscal agent agreement with the Jefferson County Educational Service Center effective June 30, 2019. In addition, the Academy entered into service agreements with the Jefferson County Educational Service Center for staffing, EMIS coordinator, internet technology, building and grounds effective August 1, 2019.

The Academy entered into a sponsorship agreement with the Educational Service Center of Lake Erie West effective July 1, 2020.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuring 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.

December 11, 2020

Board of Trustees and Management  
Lakeland Academy Community School  
101 E. Main Street  
Freeport, OH 43973

**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***

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, the cash-basis financial statements of Lakeland Academy Community School, Harrison County, Ohio (the "Academy") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 11, 2020, wherein we noted that the Academy uses a special purpose framework other than generally accepted accounting principles. In addition, we noted in our report that the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the Academy.

**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 basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 may exist that have not been identified.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002.

### ***Academy's Responses to the Findings***

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kea & Associates, Inc.*

New Philadelphia, Ohio

**LAKELAND ACADEMY COMMUNITY SCHOOL**  
**HARRISON COUNTY, OHIO**  
*Schedule of Findings and Responses*  
*June 30, 2020 and 2019*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2020-001 – Material Non-compliance**

**Criteria:** Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code Section 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**Condition:** For the fiscal years ended June 30, 2020 and 2019, the Academy’s financial statements and footnotes were prepared on the cash basis of accounting, which is a comprehensive accounting basis other than GAAP.

**Cause/Effect:** The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38 the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the Academy’s ability to evaluate and monitor the overall financial condition of the Academy.

**Recommendation:** We recommend the Academy prepare its financial statements in accordance with GAAP and ensure its annual financial report is filed with the Auditor of State within the guidelines established by the Ohio Revised Code.

**Management’s Response:** The Academy does not pay for a GAAP compilation in order to save funds.

**Finding Number: 2019-002 – 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.

**LAKELAND ACADEMY COMMUNITY SCHOOL**  
**HARRISON COUNTY, OHIO**  
*Schedule of Findings and Responses*  
*June 30, 2020 and 2019*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**Finding Number: 2020-002 – Material Non-compliance (continued)**

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:** North Central Ohio Educational Service Center, the Academy's operator in fiscal year 2019, received more than 20% of the Academy's annual gross revenue for fiscal year 2019. Jefferson County Educational Service Center, the Academy's operator in fiscal year 2020, received more than 20% of the Academy's annual gross revenue for fiscal year 2020. 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 years 2019 and 2020. 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.

**Management's Response:** Jefferson County Educational Service Center (ESC) is reviewing the staffing agreement between the ESC and the Academy in order to clarify responsibility for employment decisions.



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*Summary Schedule of Prior Audit Findings  
 June 30, 2020 and 2019*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Filing of Financial Statements- Noncompliance	Not corrected.	The finding for this requirement is repeated as 2020-001.
2018-002	Incorrect account classification	Corrective action taken, Finding is partially corrected.	The School did not have any errors in expenditure classifications for the years ended June 30, 2020 and 2019. However, we noted immaterial misclassifications in revenues for the years ended June 30, 2020 and 2019. Downgraded to management letter comment.

# 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 1/14/2021**

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