



**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
d.b.a. LIGHTHOUSE COMMUNITY SCHOOL AND
PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
d.b.a. LIGHTHOUSE COMMUNITY SCHOOL
AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Balance Sheet.....	3
Statement of Revenues, Expenses, and Changes in Retained Earnings	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	7
Schedule of Receipts and Expenditures of Federal Awards.....	17
Notes to Schedule of Receipts and Expenditures of Federal Awards.....	18
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	19
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	25

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lighthouse Educational Development Corporation
d.b.a. Lighthouse Community School and Professional Development Academy
388 South Main Street
Akron, Ohio 44311

We have audited the accompanying financial statements of the Lighthouse Educational Development Corporation, d.b.a. Lighthouse Community School and Professional Development Academy, Summit County, Ohio, (the School) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lighthouse Educational Development Corporation, d.b.a. Lighthouse Community School and Professional Development Academy, Summit County, as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2003, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the School, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 28, 2003

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2002**

ASSETS

Current assets:

Cash	\$ 8,056
Receivables:	
Intergovernmental	67,126
Private grants	25,850
Prepaid expenses	6,030
Security deposits	400
Total current assets	<u>107,462</u>

Noncurrent assets:

Fixed assets, net of accumulated depreciation	<u>103,311</u>
---	----------------

Total assets

\$ 210,773

LIABILITIES AND FUND EQUITY

Current liabilities:

Accounts payable	\$ 111,713
Accrued wages and benefits	38,464
Intergovernmental payable	50,409
Accrued interest payable	1,042
Personal loans payable	44,650
Capital lease payable, current portion	2,400
Total current liabilities	<u>248,678</u>

Long term liabilities:

Capital lease payable, net of current portion	<u>3,744</u>
---	--------------

Total liabilities

252,422

Fund equity

Accumulated deficit	<u>(41,649)</u>
Total fund equity	<u>(41,649)</u>

Total liabilities and fund equity

\$ 210,773

The accompanying notes to the financial statements are an integral part of this statement.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Operating revenues

State foundation	\$ 739,830
Materials and fees	3,361
Sales	2,154
Other	3,423
Total operating revenues	748,768

Operating expenses

Salaries	562,339
Fringe benefits	188,045
Purchased services	230,793
Materials and supplies	219,285
Depreciation	7,155
Other	3,262
Total operating expenses	1,210,879

Operating loss **(462,111)**

Non-operating revenues (expenses)

State and federal grants	343,459
Private foundation grants	31,550
Donations	40,000
Loss on sale of assets	(2,000)
Interest earnings	826
Interest expense	(2,527)
Net non-operating revenues (expenses)	411,308

Net loss **(50,803)**

Retained earnings at beginning of year	9,154
--	-------

Accumulated deficit at end of year	\$ (41,649)
------------------------------------	--------------------

The accompanying notes to the financial statements are an integral part of this statement.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Increase (decrease) in cash

Cash flows from operating activities:

Cash from the State of Ohio	\$ 739,830
Cash payments to suppliers for goods and services	(336,999)
Cash payments to employees for services and benefits	(697,170)
Cash payments for other operating expenses	(9,254)
Other operating revenues	8,938
Net cash used for operating activities	(294,655)

Cash flows from noncapital financing activities:

State and Federal grants	309,350
Loan proceeds	84,200
Loan repayments	(39,550)
Private Foundation grants	5,700
Net cash provided by noncapital financing activities	359,700

Cash flows from capital and related financing activities:

Cash payment for sale of assets	18,000
Cash payments for capital acquisitions	(41,948)
Cash payments on capital lease	(2,400)
Payments for leasehold improvements	(40,000)
Interest payments	(450)
Net cash used for capital and related financing activities	(66,798)

Cash flows from investing activities:

Interest on investments	826
Net cash provided by investing activities	826

Net decrease in cash (927)

Cash at beginning of year 8,983

Cash at end of year \$ 8,056

Reconciliation of operating loss to net cash used for operating activities:

Operating loss \$ (462,111)

Adjustments to reconcile operating loss to net cash used for operating activities:

Depreciation	7,155
Change in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	372
Prepaid expenses	(2,852)
Increase (decrease) in liabilities:	
Accounts payable	109,939
Intergovernmental payable	35,353
Accrued wages and benefits	17,489
Total adjustments	167,456

Net cash used for operating activities \$ (294,655)

Noncash, investing, capital, and financing activities

During fiscal year 2002, the School received two vehicles each valued at \$20,000 as donations.

The accompanying notes to the financial statements are an integral part of this statement

This page intentionally left blank.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Lighthouse Educational Development Corporation d.b.a. Lighthouse Community School and Professional Development Academy (the School) is a school as provided for by Ohio Revised Code Sections 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing with fiscal year July 1, 2000 through June 30, 2001. The School operates under a self-appointing eight-member Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then-existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility staffed by five non-certified and ten certified full-time teaching personnel who provide services to 112 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

Basis of Presentation

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, including depreciation) 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.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process

Unlike traditional 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 School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow provisions of Ohio Rev. Code Section 5705.

Cash

Cash received by the School is maintained in demand deposit and money market accounts.

For purposes of the Statement of Cash Flows and for presentation on the Balance Sheet, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not possess any infrastructure and it does not capitalize interest costs.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of leasehold improvements, furniture, fixtures, equipment, and vehicles is computed using the straight-line method over estimated useful lives of five to ten years.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Revenues

The School currently participates in several State and Federal programs:

Entitlements

State Foundation Program

Non-Reimbursable Grants

Management Information Systems
SchoolNet Professional Development
Mentor/Entry Year Planning
Title I
Title II
Title VI
Title IV
Title VI-R
Charter School Startup

Reimbursable Grants

National School Lunch Program

The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue for this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

The School also participated in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was eligible for \$334,000 to offset start-up costs of the School. The School received its final payment in fiscal year 2002. This program is recognized as non-operating revenue on the accompanying financial statements.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities

Obligations, such as interest due but unpaid, are reported as liabilities in the accompanying financial statements.

Other Contributions/Donations

The School receives various contributions and donations which are primarily for the general operations of the School. These contributions and donations are shown as non-operating revenues on the Statement of Revenues, Expenses and Changes in Retained Earnings.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS

At year-end, the carrying amount of the School's deposits were \$8,056 and the bank balance was \$18,956. All of the bank balance was covered by federal depository insurance.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLE

Receivables at June 30, 2002 consisted of Local, State and Federal grants. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables is as follows:

<u>Intergovernmental Receivable</u>	
Title I	\$ 53,506
Title II	1,018
Title IV	599
Title VI	3,846
Title VI-R	6,482
School Net Professional Development	<u>1,675</u>
	<u><u>\$ 67,126</u></u>

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 5 - FIXED ASSETS AND DEPRECIATION

A summary of the School's fixed assets at June 30, 2002, follows:

Vehicles	\$	20,000
Leasehold improvements		40,000
Furniture, Fixtures and Equipment		51,455
Subtotal		111,455
Less: Accumulated Depreciation		(8,144)
Net Fixed Assets	\$	103,311

Equipment includes assets under a capital lease which have an original cost of \$8,407.

During the fiscal year, the School received a donation of two vehicles valued at \$20,000 each. These assets were recorded at the fair market value on the date contributed and are not subject to repayment. The School sold one of these assets at a loss of \$2,000.

NOTE 6 - CAPITAL LEASES

In the prior year, the School entered into a capitalized lease for a copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date of the lease. The following is a schedule of the future minimum lease payments as of June 30, 2002.

Year Ending June 30	Amount
2003	\$ 2,400
2004	2,400
2005	2,400
2006	600
Total future minimum lease payments	7,800
Less: Amount representing interest	(1,656)
Present value of future minimum lease payments	\$ 6,144

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 7 - PERSONAL LOANS PAYABLE

The School received personal loans from Board Members, Administrators, and other lenders throughout the year to continue operations. There was interest of 6% associated with these loans and repayment was made the first part of fiscal year 2003. The following is a summary of that activity:

Lender	Balance July 1, 2001	Additions	Payments	Balance June 30, 2002
Paul Welch	\$ -	\$ 1,500	\$ -	\$ 1,500
Patricia Garris	-	25,000	(5,000)	20,000
Jane Bechtel	-	6,500	-	6,500
Constellation Community School	-	51,200	(34,550)	16,650
	\$ -	\$ 84,200	\$ (39,550)	\$ 44,650

Contrary to Ohio Revised Code Section 3314.08(J), the School had debt outstanding at year end that was secured by future State revenues.

NOTE 8 - PURCHASED SERVICES

For the period July 1, 2001 through June 30, 2002, purchased service expenses were payments for services rendered by various vendors as follows:

Occupancy Costs	\$ 90,753
Professional Services	135,545
Other	4,495
Total	\$ 230,793

NOTE 9 - RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School contracted with a company for property and general liability insurance. Property coverage carries a \$2,500 deductible and has a \$1,000,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$1,000,000 in the aggregate with a \$2,500 deductible. Settled claims have not exceeded this commercial coverage, nor have there been any significant reductions in coverage in any of the past two fiscal years.

Workers Compensation - The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the total monthly gross payroll by a factor determined by the Bureau of Worker's Compensation.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 10 - OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, and Vision Benefits - The School has contracted with a private carrier to provide employee medical/surgical and dental benefits. The School pays 90% of the monthly premiums and the employee is responsible for the remaining 10%. For fiscal year 2002, the School added a Section 125 cafeteria plan for their employees. This is a pretax voluntary supplementary medical benefits program employee funded and employer administrated. For the fiscal year 2002, the School's and the employee's premiums varied depending on the insurance coverage selected, family size and the ages of those covered.

The School provides life insurance to all employees through a private carrier. Coverage in the amount of \$10,000 is provided for all certified and non-certified employees.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School is required to contribute 14%; for fiscal year 2002, 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by Ohio statute. The adequacy of the contribution rates is determined annually. The School's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002 and 2001 were \$6,492 and \$1,656, respectively; 11% has been contributed for fiscal year ended June 30, 2002 and 100% for fiscal year 2001. The unpaid contribution is recorded as a liability as of June 30, 2002.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the School is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002 and 2001 were \$40,021 and \$24,340, respectively; 52% has been contributed for fiscal year ended June 30, 2002 and 100% for fiscal year 2001. The unpaid contribution is recorded as a liability as of June 30, 2002.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 12 - POST EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and contribution rates are established by the Systems based on authority granted by State statute. Both Systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School, this amount equaled \$18,957 during the 2002 fiscal year.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For fiscal year 2002 employer contributions to fund health care benefits was 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002 the minimum pay was established at \$12,400. For the School, the amount to fund health care benefits, including surcharge of \$2,769, equaled \$12,923 during the 2002 fiscal year.

NOTE 13 - RENTAL AND SERVICE AGREEMENTS

During fiscal year 2002, the School entered into a new lease agreement with Kids-Play, Inc. covering the period August 16, 2001 through August 15, 2004 to use a part of their building for School operations. The School paid Kids-Play, Inc. \$72,790 to use these facilities during 2002.

Kids-Play, Inc. also provides food services for the School's students. The School paid Kids-Play, Inc. \$29,912 for this service during 2002. This agreement remains in effect through August 15, 2004 with no stated renewal option.

NOTE 14 - CONTINGENCIES

GRANTS - The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2002.

LITIGATION - A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) School program violates the State Constitution and state laws. The effect of this suit, if any, on the School is not presently determinable.

**LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 15 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient. The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 16 - RELATED PARTY TRANSACTIONS

During the year, the School received short term loans of \$6,500, \$1,500, and \$25,000 from Director Jane Bechtel, Interim Director Paul Welch, and Teacher Patricia Garris, respectively. The School repaid these loans during August of 2002 at an interest rate of 6%.

Prior to April 30, 2002, the Executive Director of Kids-Play, Inc. (Kids-Play) was also a board member of the School. The School's transactions with Kids-Play were limited to the building lease, repairs and maintenance and the food service agreement. Total payments for the fiscal year ended June 30, 2002 to Kids-Play for the building lease, repairs and maintenance and food service amounted to \$72,790, \$40,000, and \$29,912, respectively.

The personal loans described in Note 7 are considered related party transactions and were used to fund operations.

NOTE 17 - MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

At June 30, 2002, the School's accumulated deficit balance was \$41,649. The School's management is analyzing operations to determine appropriate steps to alleviate the deficit.

The School's long range plans are to seek increased enrollment through the development and implementation of an aggressive marketing and strategic plan.

NOTE 18 - SUBSEQUENT EVENT

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This review indicated that the Ohio Department of Education correctly distributed foundation monies to the School.

This page intentionally left blank.

LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
d.b.a. LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	133223-05PU-2001	10.553	\$1,406	\$1,406
	133223-05PU-2002		<u>6,319</u>	<u>6,319</u>
Total School Breakfast Program			7,725	7,725
National School Lunch Program	133223-LLP4-2001	10.555	3,349	3,349
	133223-LLP4-2001		<u>18,317</u>	<u>18,317</u>
Total National School Lunch Program			<u>21,666</u>	<u>21,666</u>
Total U.S. Department of Agriculture -Child Nutrition Cluster			<u>29,391</u>	<u>29,391</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Eisenhower Professional Development State Grants	133223-MSS12002	84.281	0	1,018
Special Education Grants to States	133233-6BCM-02P	84.027	0	2,930
Title I Grants to Local Educational Agencies	133223-C1S1-2001	84.010	24,852	55,006
Innovative Educational Program Strategies	133223-C2S1-2001	84.298	3,476	3,846
Safe and Drug Free Schools and Communities- State Grants	133223-DRS1-2001	84.186	634	599
Class Size Reduction	133223-CRS1-2001	84.340	3,241	6,482
Charter School	133223-CHS1-2001	84.282	<u>234,000</u>	<u>234,000</u>
Total U.S. Department of Education			<u>266,203</u>	<u>303,881</u>
Totals			<u>\$295,594</u>	<u>\$333,272</u>

The accompanying notes to this schedule are an integral part of this schedule.

**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
D.B.A. LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lighthouse Educational Development Corporation
d.b.a. Lighthouse Community School and Professional Development Academy
388 South Main Street
Akron, Ohio 44311

To the Board of Trustees:

We have audited the financial statements of the Lighthouse Educational Development Corporation, d.b.a. Lighthouse Community School and Professional Development Academy, Summit County, Ohio, (the School) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-10977-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the School in a separate letter dated February 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School in a separate letter dated February 28, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Lighthouse Educational Development Corporation
d.b.a. Lighthouse Community School and Professional Development Academy
Summit County
Independent Accountants' Report on Compliance and on
Internal Control Required By *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 28, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lighthouse Educational Development Corporation
d.b.a. Lighthouse Community School and Professional Development Academy
388 South Main Street
Akron, Ohio 44311

To the Board of Trustees:

Compliance

We have audited the compliance of Lighthouse Educational Development Corporation, d.b.a. Lighthouse Community School and Professional Development Academy, Summit County, Ohio, (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002. However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School in a separate letter dated February 28, 2003.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 28, 2003

**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
d.b.a. LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	84.282 – Charter School Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2002-10977-001
-----------------------	----------------

Ohio Rev. Code Section 3314.08(J)

Community schools may issue debt, however, if the debt obligates, or is secured by, or repaid by the State monies received by the community school under Ohio Rev. Code Section 3314.08(D), then the debt must be issued in accordance with Ohio Rev. Code Section 3314.08(J) which states, in part, that "the school may issue notes to evidence such borrowing to mature no later than the end of the fiscal year in which such money was borrowed."

During the fiscal year ended June 30, 2002, the School had a total of \$44,650 of outstanding debt due to four different creditors. These monies were borrowed and used for operating expenses and have no specific maturity date. Because the loan agreements do not specifically exclude the School's Ohio Rev. Code Section 3314.08(D) funds from the general collateral provisions and are being repaid with State monies, these loans obligate the state foundation payments. Therefore, Ohio Rev. Code Section 3314.08(J) would apply.

We recommend that Lighthouse School officials take steps to monitor debt and determine there is no debt subject to Ohio Rev. Code Section 3314.08(J) at fiscal year end.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

**LIGHTHOUSE EDUCATIONAL DEVELOPMENT CORPORATION
d.b.a. LIGHTHOUSE COMMUNITY SCHOOL AND PROFESSIONAL DEVELOPMENT ACADEMY
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10977-001	The School did not maintain financial records in accordance with Auditor of State requirements.	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LIGHTHOUSE COMMUNITY DEVELOPMENT CORPORATION

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2003**