LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Dave Yost • Auditor of State

LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Community Hope Foundation
Re: Lakeside College Preparatory Academy
3021 East Dublin-Granville Road
Columbus, OH 43231

To the Buckeye Community Hope Foundation:

We have audited the accompanying financial statements of the business-type activities of Lakeside College Preparatory Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Lakeside College Preparatory Academy, Cuyahoga County, Ohio, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As disclosed in Note 11, the Academy formally ceased operations on June 30, 2009.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361
www.auditor.state.oh.us

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Dave Yost

Dave Yost
Auditor of State

December 22, 2011

The management's discussion and analysis of Lakeside College Preparatory Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets (deficit) were $(295,947) in 2010.
- Total assets were $14,624 in 2010.
- Liabilities were $311,659 in 2010.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets (deficit), a statement of revenues, expenses, and changes in net assets (deficit), and a statement of cash flows.

Statement of Net Assets (Deficit)

The statement of net assets (deficit) answers the question, "How did we do financially during 2010?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2010 as compared to fiscal year 2009.

TABLE 1

	Governmental Activities	
	2010	2009
Assets		
Current Assets	$14,624	$65,488
Capital Assets - Net	1,088	4,446
Total assets	15,712	69,934
Liabilities		
Current Liabilities	311,659	328,094
Total liabilities	311,659	328,094
Net Assets (Deficit)		
Invested in capital assets	1,088	4,446
Unrestricted	(297,035)	(262,606)
Total net assets (deficit)	(295,947)	(258,160)

Total net assets for the Academy were $(295,947). Liabilities consisted mostly of a large balance due to the management company for expenses covered by the management company, as well as smaller amounts due to various vendors and the retirement system. Assets consisted strictly of cash. The decrease in assets and liabilities is due to the Academy ceasing operations at June 30, 2009.

Table 2 shows the changes in net assets (deficit) for fiscal year 2010 as compared to 2009, as well as a listing of revenues and expenses.

TABLE 2

	Governmental Activities	
	2010	2009
Operating Revenues		
Foundation Payments	$ 1,626	$ 571,854
Other	-	649
Non-operating Revenues		
Federal and State Grants	3,743	133,207
Other Non-Operating Revenues	-	1,770
Total revenue	5,369	707,480
Operating Expenses		
Purchased Services	12,334	719,288
Materials and Supplies	-	29,124
Depreciation (unallocated)	3,358	3,358
Other expenses	27,464	36,905
Non- Operating Expenses		
Interest	-	8,100
Total expenses	43,156	796,775
Increase (Decrease) in Net Assets (Deficit)	$ (37,787)	$ (89,295)

Net assets increased to $(37,787). The deficit mainly reflects auditing fees and some final payroll charges offset by a small receipt of grant funds. The decrease in revenues and expenses in 2010 is due to the Academy ceasing operations at June 30, 2009.

Capital Assets

At the end of fiscal year 2010, the Academy had $1,088 invested in furniture, fixtures and equipment. Table 3 shows capital assets (net of depreciation) for the fiscal year 2010.

TABLE 3

	2010
Furniture, fixtures and equipment	$ 1,088
Total Capital Assets	$ 1,088

For more information on capital assets, see Note 4 to the basic financial statements.

Current Financial Issues

Lakeside College Preparatory Academy was formed in 2007 under a contract with the Buckeye Community Hope Foundation. The Academy was closed effective June 30, 2009.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of Lakeside College Preparatory Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 14,624
Total Current Assets	14,624
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	1,088
Total Non-Current Assets	1,088
Total Assets	15,712
Liabilities	
Current Liabilities:	
Accounts Payable	27,205
Accrued Wages Payable	1,616
Contracts Payable	282,838
Total Current Liabilities	311,659
Total Liabilities	311,659
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,088
Unrestricted	(297,035)
Total Net Assets	$ (295,947)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenues	
Foundation Payments	$ 1,626
Total Operating Revenues	1,626
Operating Expenses	
Purchased Services	12,334
Depreciation	3,358
Other	27,464
Total Operating Expenses	43,156
Operating Loss	(41,530)
Non-Operating Revenues and Expenses	
Federal Grants	3,743
Total Non-Operating Revenues and Expenses	3,743
Change in Net Assets	(37,787)
Net Assets Beginning of Year	(258,160)
Net Assets End of Year	$ (295,947)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 1,626
Cash Received from Other Operating Revenues	1,770
Cash Payments to Suppliers for Goods and Services	(27,155)
Net Cash Used for Operating Activities	(23,759)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	37,533
State Grants Received	54
Repayment of Short Term Loan from Management Company	(600)
Net Cash Provided by Noncapital Financing Activities	36,987
Net Increase in Cash and Cash Equivalents	13,228
Cash and Cash Equivalents at Beginning of Year	1,396
Cash and Cash Equivalents at End of Year	$ 14,624
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (41,530)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	4,446
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	2,252
(Increase)/Decrease in Prepaids	11,067
Increase/(Decrease) in Accounts Payable	(2,639)
Increase/(Decrease) in Accrued Wages Payable	(1,807)
Increase/(Decrease) in STRS/SERS Payable	18,546
Increase/(Decrease) in Contracts Payable	(13,005)
Total Adjustments	18,860
Net Cash Used For Operating Activities	$ (22,671)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Lakeside College Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with The Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing March 6, 2007. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Lakeside College Preparatory Academy was no longer in operation as of June 30, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy 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 Academy 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 Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 for furniture and equipment, land, and buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Software costing more than $10,000 per application is also capitalized. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of a checking account at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk. At June 30, 2010, the carrying value and bank balance of the Academy's deposits was $14,624. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

A. Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$10,778			$10,778
Total Capital Assets Being Depreciated	10,778	-	-	10,778
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(6,332)	(3,358)		(9,690)
Total Accumulated Depreciation	(6,332)	(3,358)	-	(9,690)
Total Capital Assets Being Depreciated, Net	$4,446	(3,358)	-	$1,088

5. RISK MANAGEMENT

A. Property and Liability

The Academy closed and the management agreement was terminated effective June 30, 2009. Insurance coverage was discontinued.

B. Workers' Compensation

The Academy closed effective June 30, 2009. There were no workers' compensation premiums paid after that date.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributed to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan Members are required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.74 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan member and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2010, 2009 and 2008 were $0, $7,291 and $5,301 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Academy closed at June 30, 2009 and had no contribution obligations after that date.

B. State Teachers Retirement System of Ohio

The Academy participated in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB Plan or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2010, 2009 and 2008 were $0, $12,589 and $18,295 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Academy closed at June 30, 2009 and had no contribution obligations after that date.

7. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746.

7. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008, were $0, $3,337 and $1,583, respectively. 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2010, 2009 and 2008 were $0, $602 and $250 respectively. 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Academy closed at June 30, 2009 and had no contribution obligations after that date.

B. State Teachers Retirement System

The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2010, 2009 and 2008 were $0, $968 and $1,307 respectively. 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Academy closed at June 30, 2009 and had no contribution obligations after that date.

8. CONTINGENCIES

A. Grants

The Academy 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. The Academy was closed at June 30, 2009 and there were no outstanding obligations.

9. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

	June 30, 2010
Salaries	$ 5,000
Fringe Benefits	9,137
Other Professional and Technical Services	1,103
Less Refunds Received by Management Co.	(2,906)
Total Purchased Services	$ 12,334

The fringe benefits expense amount includes amounts previously thought to be overpaid to SERS and STRS for retirement obligations of the Academy. It was determined during 2010 that the amounts were not overpaid.

10. MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 15, 2007 through June 30, 2012, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. There were no management fees charged to the Academy in 2010 due to the Academy's close at June 30, 2009. Terms of the contract require TLG to provide the following:

A. Implementation and administration of the Educational Program;

B. Management of all personnel functions, including professional development;

10. MANAGEMENT AGREEMENT (Continued)

C. Operation of the school building and the installation of technology integral to school design;

D. All aspects of the business administration of the Academy;

E. The provision of food service for the Academy; and

F. Any other function necessary or expedient for the administration of the Academy.

There are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include rent, salaries of The Leona Group, LLC employees working at the Academy, and other costs related to providing educational and administrative services:

Expenses	June 30, 2010
Salaries and Wages	$5,000
Employee Benefits	73
Total Expenses	$5,073

At June 30, 2010, the Academy had payables to The Leona Group, LLC in the amount of $282,838. The following is a schedule of payables to The Leona Group, LLC.:

	June 30, 2010
Management Fee	$ 134,630
Payroll	5,073
Short Term Loans	143,135
Total Expenses	$ 282,838

11. SCHOOL CLOSING

The Academy closed June 30, 2009 with a net asset deficit of $295,947 due to non renewal of the sponsorship contract with Buckeye Community Hope Foundation. Inadequate enrollment in FY09, unacceptable fiscal "health" and failure to meet Adequate Yearly Progress were some of the reasons cited for non renewal by the sponsor. The Ohio Department of Education ceased funding to the Lakeside College Preparatory Academy upon the suspension of the Academy's operations.

12. SUBSEQUENT EVENTS

The Academy's capital assets were abandoned when the Academy closed on June 30, 2009. Final bills were paid by the middle of November 2010.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Buckeye Community Hope Foundation
Re: Lakeside College Preparatory Academy
3021 East Dublin-Granville Road
Columbus OH 43231

To the Buckeye Community Hope Foundation:

We have audited the financial statements of the business-type activities of Lakeside College Preparatory Academy, Cuyahoga County, (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2011, wherein we noted the Academy ceased operations on June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the community school's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

December 22, 2011

LAKESIDE COLLEGE PREPARATORY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING NUMBER 2010-001

Material Noncompliance - Community School Closing Procedures

Ohio Revised Code Section 3314.015(E) requires the Ohio Department of Education to adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation. The guidance covers requirements of law, including aspects of federal and state funding requirements; actions taken and not taken by sponsors in the past; as well as relevant information which may be needed at some future point, after a school closes.

Ohio Revised Code Section 3314.03 (D) states that the contract shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.015 of the Revised Code and shall include the following: (6) Have in place a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year.

Sponsors must provide and execute a plan for the closure of community schools they sponsor prior to the school closing its doors. Sponsors are required to complete and sign an assurance to ODE that proper notifications occur, records are properly distributed and assets are properly disposed of. This assurance includes scheduling a final FTE review and a final state audit within 30 days of closure of the school.

When the school closes the following actions should be taken:

- Notify ODE, STRS and SERS, and the sponsor that the school is closing.
- Arrange for dissemination of all school records to students' districts of residence, with a list of all records and their destination sent to the sponsor.
- Arrange to send all school's non-student, non-personnel records to the sponsor.
- Inform the school's staff of the decision to close the school.
- Review the history of the school, provide the reasons for closing, and share the school's commitment to the staff (facilitate employment, ensure STRS and SERS contributions, clarify medical benefits, Ensure that each faculty's LPDC information is current and available to the teachers; Etc.).
- Notification to the resident districts and other stakeholders of the decision to close the school.
- Inform the students and parents of the decision to close the school.
- Inform the public.
- Schedule a final Full Time Equivalency (FTE) review.
- Notify the Information Technology Center and arrange for a method by which all outstanding EMIS data will be reported.
- Notify the traditional public school district in which the community school is located and traditional public school districts providing transportation to the community school.
- Account for all school property throughout the closing (utilize fixed assets list and inventory to account for all items.
- Review the financial records of the school.
- Establish a date, after school has closed to make disposition of schools property; (notify all other community schools and traditional public schools of the date of the sale).
- Make disposition of school fixed assets purchased with federal funds according to the EDGAR liquidation procedures in 34 CFR 80.32 including disposition for items valued at $5,000 or greater.
- Verify that the Auditor of State has been contacted and a financial audit date established.
- Prepare financial statements for audit.

FINDING NUMBER 2010-001 (Continued)

Material Noncompliance - Community School Closing Procedures (Continued)

- Submit financial statements to the Auditor of State including the results of the property sale.
- Utilize proceeds and foundation dollars and any other income to pay the following order: STRS and SERS retirement and other adjustments, teachers and staff, employment taxes and federal taxes, audit preparation, private creditors, state treasury general revenue fund and grant status with Final Expenditure Reports (FERs) and obligations.
- Arrange for an accounting firm or the Auditor of State to verify the following financial information:
    - complete cash analysis;
    - compile bank statements for the year and give to the sponsor;
    - document outstanding accounts payable and clear with bank;
    - collect and void all unused checks;
    - document and provide any petty cash to sponsor;
    - close bank accounts once all transactions are cleared; and
    - verify all payroll reports including taxes and retirements.

The Academy closed on June 30, 2009. All documentation on closing procedures for the Academy could not be obtained. These records include:

- No documentation provided to show the initial notification submission to SERS Pension System regarding the closing of the Academy;
- No documentation provided specifying that the Sponsor immediately seized control of the Academy's assets, student records, property and assets upon the closing;
- No evidence of notifications to county courts for court placed students, to the Information Technology Center (ITC) regarding outstanding EMIS data, and to the Office of Community Schools to eliminate all SAFE, CCIP and other ODE account login;
- No evidence of a notification to the public in the form of a press release regarding the Academy closing;
- No evidence that the IEP records were provided directly to receiving school special education administrators for all students with disabilities, particularly for students with physical needs or low incidence disabilities property and assets when the school closed;
- No evidence of the notification to the public in the form of prepare written press releases for the local media specific to the school that can be disseminated to media and provide name and phone of the school spokesperson; and
- No accounting for all school property throughout the closing process by distinguishing state from federal dollars was provided.

The Academy did not provide evidence to indicate they followed the above school closing procedures when it closed.

This matter will be referred to the Ohio Department of Education.

Officials Response:

The Academy did not respond to the finding reported.

Dave Yost · Auditor of State

LAKESIDE COLLEGE PREPARATORY ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 12, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us