Lake Erie Academy
Lucas County

Financial Report

June 30, 2014

Dave Yost • Auditor of State

Board of Directors
Lake Erie Academy
2740 W. Central Avenue
Toledo, Ohio 43606

We have reviewed the *Independent Auditor's Report* of the Lake Erie Academy, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2013 through June 30, 2014. 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 Lake Erie Academy is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

April 7, 2015

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Lake Erie Academy

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Independent Auditor's Report

To the Board of Directors
Lake Erie Academy

Report on the Financial Statements

We have audited the accompanying basic financial statements of Lake Erie Academy (the "Academy") as of and for the year ended June 30, 2014 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lake Erie Academy as of June 30, 2014 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Lake Erie Academy

Emphasis of Matter

The accompanying basic financial statements have been prepared assuming that Lake Erie Academy will continue as a going concern. As discussed in Note 15 to the basic financial statements, Lake Erie Academy has suffered recurring losses and various circumstances that have resulted in a significant net position deficit that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of Lake Erie Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Lake Erie Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

East Lansing, Michigan
December 12, 2014

The management's discussion and analysis of Lake Erie Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- In total, net position increased $113,514 from 2013 to 2014. This was due mainly to a special item recorded for retroactive property tax adjustments.
- Total assets decreased $139,833, which represents a 34.6 percent decrease from 2013 to 2014. This was due primarily to a large decrease in cash.
- Liabilities decreased $253,347, which represents a 34.8 percent decrease from 2013 to 2014. This decrease was due to the payment of amounts previously owed to the Leona Group for management fees and retroactive adjustments to the Academy's property tax liability.

Using this Financial Report

This report consists of three parts: the management's discussion and analysis (MD&A), the basic financial statements, and the notes to those financial statements. The basic financial statements include a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during 2014?" 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 account all revenue and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net position at June 30, 2014 and 2013.

Table 1

	June 30	
	2014	2013
Assets		
Current assets	$ 212,837	$ 301,124
Capital assets - Net	50,901	102,447
Total assets	263,738	403,571
Liabilities		
Current liabilities	473,997	531,627
Noncurrent liabilities	-	195,717
Total liabilities	473,997	727,344
Net Position		
Net investment in capital assets	50,901	102,447
Unrestricted	(261,160)	(426,220)
Total net position	**$ (210,259)**	**$ (323,773)**

Total assets decreased $139,833. This was due primarily to a decrease in cash of $185,683 from 2013 to 2014.

Table 2 shows the changes in net position for fiscal years 2014 and 2013, as well as a listing of revenue and expenses.

Table 2	Year Ended June 30	
	2014	2013
Operating Revenue		
Foundation payments	$ 1,623,356	$ 1,770,968
Poverty-based assistance	145,597	221,406
Federal grants	-	550
Other	27,321	22,024
Nonoperating Revenue		
Federal grants	553,473	650,491
State grants	169,686	71,451
Total revenue	2,519,433	2,736,890
Operating Expenses		
Salaries	906,083	987,196
Fringe benefits	344,574	338,462
Purchased services	1,223,985	1,230,244
Property taxes	6,764	36,765
Materials and supplies	59,739	66,014
Depreciation (unallocated)	78,926	80,073
Other expenses	5,416	33,699
Nonoperating Expenses - Interest	1,133	-
Total expenses	2,626,620	2,772,453
Special Item	220,701	-
Increase (Decrease) in Net Position	**$ 113,514**	**$ (35,563)**

Net position increased $113,514 from the prior year. There was a decrease in revenue of $217,457 and a decrease in expenses of $145,833 from 2013 to 2014. Of the decrease in revenue, the foundation payments decreased by $147,612 and the poverty-based assistance decreased $75,809. From 2013 to 2014, salaries expense decreased by $81,113. This was due primarily to a decrease in pupil counts.

During 2014, several retroactive adjustments to the Academy's property tax liability decreased the long-term delinquent property taxes payable liability by $220,701, which is reflected as a special item in the above table. These adjustments included retroactive reductions in property values, exemptions granted for certain tax years, and overpayments from previous years applied to the liability. Current property tax expense decreased $30,001.

Capital Assets

At the end of fiscal year 2014, the Academy had $50,901 invested in leasehold improvements, library books, furniture, fixtures, and equipment (net of depreciation), which represents a decrease of $51,546 from 2013 to 2014. Table 3 shows the capital assets (net of depreciation) for fiscal years 2014 and 2013:

Table 3	2014	2013
Leasehold improvements	$ -	$ 55,570
Furniture, fixtures, and equipment	50,901	46,877
Total capital assets	**$ 50,901**	**$ 102,447**

For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Issues and Economic Factors

Lake Erie Academy was formed in 2002 under a contract with the Ohio Council of Community Schools. During the 2013-2014 school year, there were 235 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including poverty-based assistance) for fiscal year 2014 amounted to $1,768,953.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 70 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue.

As discussed in Note 6, the Academy was denied its application for an exemption from general property taxes during the 2011 fiscal year. As such, the Academy was party to a tax settlement agreement for which the Academy incurred $772,565 of tax expense payable to Lucas County over the next five years. The expense resulted in decreasing the Academy's net position to a deficit position for the year ended June 30, 2011, which continues to impact the ending net position as of June 30, 2014. Management's plans to eliminate the deficit are discussed in Note 15.

Contacting the Academy's Financial Management

This financial report is designed to provide the public 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 Lake Erie Academy, at 2125 University Park Drive, Okemos, MI 48864 or by email at don.ash@leonagroup.com.

Statement of Net Position
June 30, 2014

Assets	
Current assets:	
Cash (Note 3)	$ 2,679
Accounts receivable	21,745
Intergovernmental receivables (Note 4)	188,413
Total current assets	212,837
Noncurrent assets - Depreciable capital assets - Net (Note 5)	50,901
Total assets	263,738
Liabilities - Current	
Accounts payable	81,675
Intergovernmental payables (Note 6)	4,439
Contracts payable (Note 13)	387,883
Total liabilities	473,997
Net Position	
Net investment in capital assets	50,901
Unrestricted	(261,160)
Total net position	**$ (210,259)**

Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2014

Operating Revenue	
Foundation payments	$ 1,623,356
Poverty-based assistance	145,597
Other revenue	27,321
Total operating revenue	1,796,274
Operating Expenses	
Salaries	906,083
Fringe benefits	344,574
Purchased services (Note 11)	1,223,985
Taxes (Note 6)	6,764
Materials and supplies	59,739
Depreciation (Note 5)	78,926
Other	5,416
Total operating expenses	2,625,487
Operating Loss	(829,213)
Nonoperating Revenue (Expense)	
Federal grants	553,473
State grants	169,686
Interest	(1,133)
Total nonoperating revenue	722,026
Special Item (Note 6)	220,701
Change in Net Position	113,514
Net Position - Beginning of year	(323,773)
Net Position - End of year	**$ (210,259)**

Statement of Cash Flows
Year Ended June 30, 2014

Cash Flows from Operating Activities		
Received from foundation payments	$	1,623,356
Received from poverty-based assistance		145,597
Received from other operating revenue		13,336
Payments to suppliers for goods and services		(1,271,782)
Payments to employees for services		(917,544)
Payments for employee benefits		(390,671)
Net cash used in operating activities		(797,708)
Cash Flows from Noncapital Financing Activities		
Proceeds from state aid note		75,000
Payments on state aid note		(75,000)
Interest payments		(1,133)
Payments on delinquent property taxes		(98,626)
Federal grants received		543,748
State grants received		170,571
Net cash provided by noncapital financing activities		614,560
Cash Flows from Capital and Related Financing Activities - Purchase of property and equipment		(2,535)
Net Decrease in Cash		(185,683)
Cash - Beginning of year		188,362
Cash - End of year	**$**	**2,679**
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$	(829,213)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		78,926
Changes in assets and liabilities:		
Decrease in prepaid expenses		20,000
Increase in intergovernmental receivables		(94,571)
Increase in receivables		(13,985)
Increase in accounts payable		10,276
Decrease in intergovernmental payables		(11,461)
Increase in contracts payable		42,320
Total adjustments		31,505
Net cash used in operating activities	**$**	**(797,708)**
Supplemental Disclosure of Cash Flow Information - Noncash retroactive adjustments in delinquent property taxes (Note 6)	**$**	**220,701**

The Notes to Financial Statements are an Integral Part of this Statement.

Note 1 - Description of the Academy and Reporting Entity

Lake Erie Academy, Lucas County (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eleventh grade. The Academy's mission is to provide an educational community that promotes educational achievement, involvement of parents, and positive social interactions. The Academy is committed to developing excellence on the part of students, teachers, and administrative staff. 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.

On July 1, 2002, the Academy was approved for operation under a contract with the Ohio Council of Community Schools (the "Sponsor") for a period of five years through June 30, 2007. The contract was later extended for a period of seven years through June 30, 2014. 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. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2014 were $57,087. During the year, the Academy signed a new Sponsor contract with the Ohio Department of Education for a period of one year through June 30, 2015.

The Academy operates under the direction of a six-member board of directors, which is also the governing board for another The Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by 19 certified full-time teaching personnel who provide services to 235 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability company, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 13).

Note 2 - Summary of Significant Accounting Policies

The financial statements of Lake Erie Academy have been prepared in conformity with generally accepted accounting principles (GAAP), 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.

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises whereby 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 whereby it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Academy's basic financial statements consist of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

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

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which 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.

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 contract between the Academy and the Sponsor. The contract between the Academy and the Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

Receivables - Receivables at June 30, 2014 consisted of intergovernmental receivables, private source funding receivables, and immaterial miscellaneous receivables. All receivables are considered collectible in full and will be received within one year.

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, fixtures and equipment, land, and leasehold improvements, or any one item costing under $1,000 alone but purchased in a group for over $2,500. 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 charged to expense when incurred.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining term of the operating lease. Furniture, fixtures, and equipment are depreciated using the straight-line method over their useful lives, three to seven years.

Net Position - Net position represents the difference between assets and liabilities. Net investments in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has no debt related to capital assets.

Note 2 - Summary of Significant Accounting Policies (Continued)

Operating Revenue and Expenses - Operating revenue is revenue that is generated directly from the primary activities. For the Academy, this revenue is primarily from foundation payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenue and expenses not meeting this definition are reported as nonoperating.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program and the State Poverty-based Assistance (PBA) Program. Revenue received from these programs is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Tax Status - The Academy is tax-exempt under §501(c)(3) of the Internal Revenue Code.

Note 3 - Deposits

The Academy has designated one bank for the deposit of its funds.

The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk.

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 credit risk be used for the Academy's deposits. At year end, the Academy's deposit balance of $10,798 of bank deposits was fully insured and collateralized. The Academy believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is sometimes impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Intergovernmental Receivables

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

Title I	$	25,167
Title IIA		200
RTTT		26,049
Child nutrition		31,874
Medicaid in Schools Program		1,273
STRS/SERS		49,397
Property tax refund receivable		48,474
Casino revenue		5,979
Total intergovernmental receivables	$	188,413

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Business-type Activities				
Capital assets being depreciated:				
Leasehold improvements	$ 584,595	$ -	$ -	$ 584,595
Library books	30,000	-	-	30,000
Furniture, fixtures, and equipment	286,293	27,380	(5,251)	308,422
Total capital assets being depreciated	900,888	27,380	(5,251)	923,017
Less accumulated depreciation:				
Leasehold improvements	529,025	55,570	-	584,595
Library books	30,000	-	-	30,000
Furniture, fixtures, and equipment	239,416	23,356	(5,251)	257,521
Total accumulated depreciation	798,441	78,926	(5,251)	872,116
Total capital assets being depreciated - Net	$ 102,447	$ (51,546)	$ -	$ 50,901

Note 6 - Intergovernmental Payables

A summary of the principal items composing intergovernmental payables is as follows:

Due to Eagle Academy	$	4,088
Due to Wildwood Environmental Academy		351
Total intergovernmental payables	$	4,439

The Academy was denied its application for an exemption from general property taxes during the 2011 fiscal year. The Academy had not paid its general property taxes for fiscal years 2007, 2008, 2009, and 2010 in anticipation of receiving an exemption. The Academy entered into a payment agreement in 2011 with Lucas County to pay this tax settlement due of $772,565 over the next five years, after a 20 percent down payment of $154,513. The monthly payment due for the tax settlement was $10,301 commencing in February 2011. The delinquent property tax liability was eliminated by June 30, 2014 through a combination of $98,626 paid by the Academy during the year ended June 30, 2014, and retroactive adjustments totaling $220,701 being applied to the remaining liability, resulting from decreases in taxable values in prior tax years, an exemption granted for the 2012 tax year, and the identification of certain overpayments due to incorrect billings from the Lucas County Assessor's Office and Treasury. The $220,701 credited towards the Academy's delinquent property tax liability is shown as a special item in the statement of revenues, expenses, and changes in net position.

The Academy's current tax liability for the year ended June 30, 2014 was originally assessed for $68,993 of general real property taxes and special assessments, $55,238 of which was paid during the year. On December 9, 2014, the Academy received notice from the Ohio Department of Taxation that a real property tax exemption was granted for the property the Academy occupies, applicable for fiscal year 2015. The notice also instructed Lucas County to refund the Academy for real property taxes paid during fiscal year 2014. The Academy is not exempted from special assessments. As such, the Academy has recorded a property tax refund receivable of $48,474 included in intergovernmental receivables at June 30, 2014.

Note 7 - Risk Management

Property and Liability - 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 employees; and natural disasters. During fiscal year 2014, the Academy contracted with Philadelphia Indemnity Insurance Company for general liability insurance, property insurance, and educational errors and omissions insurance. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. Coverages are as follows:

Educational errors and omissions:	
Per occurrence	$ 1,000,000
Total per year	1,000,000
General liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000
Umbrella liability:	
Per occurrence	4,000,000
Total per year	4,000,000
Retention	10,000
Directors and officers liability:	
Per occurrence	1,000,000
Total per year	1,000,000
Retention	25,000

Workers' Compensation - The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

Note 8 - Defined Benefit Pension Plans

School Employees Retirement System

Plan Description

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplemental information. That report can be obtained on SERS' website at www.ohsers.org under "Employers/Audit Resources."

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' retirement board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were $45,481, $42,268, and $32,164, respectively; 100 percent was contributed for fiscal year 2014, 76 percent was contributed for fiscal year 2013, and 100 percent was contributed for fiscal year 2012.

State Teachers Retirement System

Plan Description

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications."

Note 8 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans: a defined benefit plan (DB), a defined contribution plan (DC), or a combined plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or 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 or combined plan member with five or more years of 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.

Funding Policy

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 14 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 years ended June 30, 2014, 2013, and 2012 were $118,486, $133,102, and $115,951, respectively; 91 percent has been contributed for fiscal year 2014, 90 percent for fiscal year 2013, and 78 percent for fiscal year 2012.

Note 9 - Postemployment Benefits

School Employees Retirement System

Plan Description

The Academy participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for classified retirees and their beneficiaries: the Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50 if they participated in one of SERS' health care plans. The financial reports of SERS' health care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under "Employers/Audit Resources."

Funding Policy

State statute permits SERS to fund the healthcare 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 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at $20,250. The Academy's surcharges for the fiscal years ended June 30, 2014, 2013, and 2012 were $10,743, $8,080, and $3,396, respectively.

Note 9 - Postemployment Benefits (Continued)

Active employee members do not make contributions to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were $486, $516, and $1,393, respectively; 100 percent has been contributed for fiscal year 2014, 76 percent for fiscal year 2013, and 100 percent for fiscal year 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were $2,639, $2,388, and $1,899, respectively; 100 percent has been contributed for fiscal year 2014, 76 percent for fiscal year 2013, and 100 percent for fiscal year 2012.

State Teachers Retirement System

Plan Description

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. Ohio law authorizes STRS to offer this plan. 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.

Funding Policy

Ohio Revised Code Chapter 3307 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 postemployment health care may be deducted from employer contributions. For fiscal year 2014, 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 years ended June 30, 2014, 2013, and 2012 were $9,114, $10,239, and $8,919, respectively; 91 percent has been contributed for fiscal year 2014, 90 percent for fiscal year 2013, and 78 percent for fiscal year 2012.

Note 10 - Contingencies

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy.

Note 11 - Purchased Service Expenses

For the year ended June 30, 2014, purchased service expenses were payments for services rendered by various vendors as follows:

Repairs and maintenance	$ 22,397
Legal	4,753
Insurance	22,192
Advertising	3,794
Dues and fees	15,049
Ohio Council of Community Schools	57,087
Cleaning services	3,732
Utility	119,646
Management fees (Note 13)	259,664
Other professional services	466,354
Other rentals and leases	9,317
Rent (Note 12)	240,000
Total purchased services	$ 1,223,985

Note 12 - Operating Leases

The Academy had entered into a lease for the period from July 1, 2003 through June 30, 2009, which was extended during 2010 through June 30, 2014, with Lake Erie Villa, LLC for the use of the main building, gymnasium, and grounds as a school facility. During the year, the Academy entered into a new lease agreement for the period from July 1, 2014 through June 30, 2019 with Lake Erie Villa, LLC for the same property use. Under the lease agreement, the Academy is responsible for paying all utilities and applicable property taxes.

The Academy rents its building from Lake Erie Villa, LLC, an affiliate of The Leona Group, LLC through common ownership and a related party to the Academy. The Academy paid Lake Erie Villa, LLC $240,000 during fiscal year 2014. Rent expense to Lake Erie Villa, LLC will increase to $252,000 for fiscal years 2015 through 2019.

Note 12 - Operating Leases (Continued)

In addition, the Academy leases equipment from an outside party. The two equipment leases were signed on July 21, 2011 and July 31, 2012, and are each effective for four years. The leases provide for monthly payments of $389 and $380, respectively. Rent expense for the equipment leases was approximately $9,300 for the year ended June 30, 2014.

The future minimum lease commitments as of June 30, 2014 are as follows:

Fiscal Years Ending June 30		Amount
2015		$ 261,228
2016		257,727
2017		253,140
2018		252,000
2019		252,000
	Total minimum lease payments	$ 1,276,095

Note 13 - Management Agreement

The Academy entered into a five-year contract, effective May 1, 2002 through June 30, 2007, with options for annual renewal with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. The management agreement was renewed effective July 13, 2007 for a period of seven years to continue through June 30, 2014. A new management agreement has not yet been signed for years subsequent to June 30, 2014. In exchange for its services, The Leona Group, LLC receives a capitation fee of the difference between total audited revenue less total expenditures, which is adjusted further for capital asset activity. The Academy incurred management fees of $259,664 for the year ended June 30, 2014. At June 30, 2014, contracts payable include approximately $388,000 for reimbursement of subcontracted employees and other operating costs.

Note 13 - Management Agreement (Continued)

Terms of the contracts require The Leona Group, LLC to provide the following:

- Implementation and administration of the educational program
- Management of all personnel functions, including professional development
- Operation of the school building and the installation of technology integral to school design
- All aspects of the business administration of the Academy
- The provision of food service for the Academy
- Any other functions necessary or expedient for the administration of the Academy

The Academy may terminate this agreement with cause prior to the end of the term in the event that The Leona Group, LLC should fail to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from the Academy.

The Leona Group, LLC may terminate this agreement with cause prior to the end of the specified term in the event the Academy fails to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from The Leona Group, LLC.

In the event this agreement is terminated by either party prior to the end of the specified term, the termination will not become effective until the end of the school year following the notice of termination, and The Leona Group, LLC shall provide the Academy reasonable assistance for up to 90 days to assist in the transition to a regular school program.

For the year ended June 30, 2014, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:	
Salaries	$ 906,083
Fringe benefits	344,574
Professional and technical services	39,700
Other direct costs	13,082
Total expenses	$ 1,303,439

Note 14 - Subsequent Events

Subsequent to year end, the Academy borrowed $150,000 at a floating rate equal to the prime rate, which at June 30, 2014 was 3.25 percent. The note, plus interest, is due in nine monthly installments commencing October 30, 2014.

Note 15 - Management's Plans

The Academy has developed a five-year forecast approved by the board which forecasts sufficient cash flows to fund operations. The Academy has also adopted a budget resulting in an increase to the net position of the Academy for the 2015 fiscal year. The Academy will continue to actively monitor and control the expenditures of the Academy to achieve a positive operating position and net position balance for the Academy.

Note 16 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

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Lake Erie Academy

Federal Awards
Supplemental Information
June 30, 2014

Contents

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Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Directors
Lake Erie Academy

We have audited the basic financial statements of Lake Erie Academy (the "Academy") as of and for the year ended June 30, 2014 and have issued our report thereon dated December 12, 2014. The accompanying basic financial statements have been prepared assuming that Lake Erie Academy will continue as a going concern. As discussed in Note 14 to the basic financial statements, the Academy is in a net deficit as of June 30, 2014, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 14. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. We have not performed any procedures with respect to the audited basic financial statements subsequent to December 12, 2014.

The accompanying schedule of expenditures of federal awards is presented for the purpose of 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

East Lansing, Michigan
December 12, 2014

Praxity MEMBER
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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*

Independent Auditor's Report

To Management and the Board of Directors
Lake Erie Academy

We have audited, 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, the basic financial statements of Lake Erie Academy (the "Academy"), which comprise the basic statement of financial position as of June 30, 2014, and the related basic statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 12, 2014. The accompanying basic financial statements have been prepared assuming that Lake Erie Academy will continue as a going concern. As discussed in Note 14 to the basic financial statements, the Academy is in a net deficit as of June 30, 2014, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 14. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Lake Erie Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To Management and the Board of Directors
Lake Erie Academy

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 Lake Erie Academy's basic 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Plante & Moran, PLLC

East Lansing, Michigan
December 12, 2014

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Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
Lake Erie Academy

Report on Compliance for Each Major Federal Program

We have audited Lake Erie Academy's (the "Academy") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Lake Erie Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lake Erie Academy's major federal programs based on our audit of the types of compliance requirements referred to above.

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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake Erie Academy'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Lake Erie Academy's compliance.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Lake Erie Academy

Basis for Qualified Opinion on CFDA 84.010 Title I, Part A

As described in the accompanying schedule of findings and questioned costs, Lake Erie Academy did not comply with requirements regarding CFDA 84.010 Title I, Part A, as described in Finding 2014-001 for allowable costs/cost principals.

Compliance with such requirements is necessary, in our opinion, for Lake Erie Academy to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 84.010 Title I, Part A

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on CFDA 84.010 Title I, Part A* paragraph, Lake Erie Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.010 Title I, Part A for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Lake Erie Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-l33 and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to this matter, except as described in the *Basis for Qualified Opinion* paragraph above for the Title I, Part A program.

Lake Erie Academy's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Lake Erie Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of Lake Erie Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake Erie Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

To the Board of Directors
Lake Erie Academy

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

Lake Erie Academy's Response to the Finding

Lake Erie Academy's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Lake Erie Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

East Lansing, Michigan
December 12, 2014

Lake Erie Academy

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2013	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2014
Clusters:						
Child Nutrition Cluster - U.S. Department of Agriculture -						
Passed through the Ohio Department of Education:						
National School Breakfast Program	10.553	$ 52,226	$ -	$ 41,302	$ 52,226	$ 10,924
National School Lunch Program	10.555	105,317	-	84,367	105,317	20,950
Total Child Nutrition Cluster		157,543	-	125,669	157,543	31,874
Special Education Cluster - U.S. Department of Education -						
Passed through the Ohio Department of Education -						
Special Education - Grants to States (IDEA, Part B):	84.027					
2012-2013		119,451	21,918	21,918	-	-
2013-2014		75,543	-	75,543	75,543	-
Total Special Education Cluster		194,994	21,918	97,461	75,543	-
Total clusters		352,537	21,918	223,130	233,086	31,874
Other federal awards - U.S. Department of Education -						
Passed through the Ohio Department of Education:						
Title I, Part A:	84.010					
2012-2013		320,420	35,963	35,963	-	-
2013-2014		237,398	-	179,246	201,240	21,994
School Improvement Sub A, Title I:	84.010					
2012-2013		55,000	13,819	13,819	-	-
2013-2014		66,851	-	50,832	54,005	3,173
Total Title I, Part A		679,669	49,782	279,860	255,245	25,167

See Note to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2014

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2013	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2014
Other federal awards - U.S. Department of Education -						
Passed through the Ohio Department of Education (Continued):						
Improving Teacher Quality:	84.367					
2012-2013		$ 7,485	$ 300	$ 300	$ -	$ -
2013-2014		6,545	-	2,230	2,430	200
Total Improving Teacher Quality		14,030	300	2,530	2,430	200
ARRA - Race to the Top:	84.395					
Early Learning Challenge		73,496	-	22,970	49,019	26,049
Ohio Instructional Leadership Academy		13,693	-	13,693	13,693	-
Total ARRA - Race to the Top		87,189	-	36,663	62,712	26,049
Total noncluster programs passed through the Ohio Department of Education		780,888	50,082	319,053	320,387	51,416
Total federal awards		**$ 1,133,425**	**$ 72,000**	**$ 542,183**	**$ 553,473**	**$ 83,290**

See Note to Schedule of Expenditures of Federal Awards.

Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake Erie Academy (the "Academy") under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Lake Erie Academy, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Lake Erie Academy. Pass-through entity identifying numbers are presented where available.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? __X__ Yes ______ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified for Special Education Cluster - IDEA, Part B, modified for Title I, Part A.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ______ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A
84.027	Special Education Cluster - IDEA, Part B

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ______ Yes __X__ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2014-001	**Program Name** - CFDA # 84.010 - Title I, Part A
	Pass-through Entity - Ohio Department of Education
	Finding Type - Material weakness and material noncompliance with laws and regulations
	Criteria - The Academy is required to ensure that each paraprofessional and aide who is hired by the Academy and who works in a program supported with Title I, Part A funds meets specific qualification requirements as required by 34 CFR Section 200.58.
	Condition - The Academy employed one paraprofessional and one aide that were charged to the Title I program that were required to be highly qualified during the year; however, documentation of these individuals' highly qualified status was not maintained.
	Questioned Costs - $31,344
	Context - The Academy hired two individuals whose time charged to the Title I program totaled $31,344. During the audit, the Academy could not locate proof of the employees' highly qualified status. One of the employees has been terminated and the other has been transferred to a noninstructional position.
	Cause and Effect - Documentation of the individuals' highly qualified status was not maintained; therefore, there are questioned expenditures charged to the Title I program.
	Recommendation - The Academy should implement a policy to ensure that highly qualified documentation is maintained for all individuals that perfom duties that are funded by Title I grant monies.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2014-001 (Continued)	**Views of Responsible Officials and Planned Corrective Actions** - The Academy will review the criteria for a position prior to hiring a candidate, including standards necessary to meet highly qualified status. Requisitions and human resources action forms will be completed prior to hiring, documentation will be gathered, and background checks will be completed. The highly qualified documentation located on the Ohio Department of Education website will be reviewed and completed for each potential staff member and will be stored in a secure personnel file at the Academy.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2013-001	n/a	The Academy did not maintain a combined fiscal effort per student or aggregate expenditures of state and local funds from the preceding fiscal year in order to maintain the level of effort required. Additionally, the Academy failed to record a liability for disallowed grant funds to the State of Ohio during the year in accordance with accounting standards generally accepted in the United States of America.	Contingent liabilities, if any, are reviewed at year end to ensure proper recording.	n/a
2013-002	n/a	During our Ohio compliance testing, a student that withdrew from the Academy did not attend class during the 2012-2013 school year. However, this student was not reported as withdrawn until October 10, 2013 (which is in violation of section code 3314.03).	The Academy now compares the listing of withdrawn students to attendance records and ensures that each student is reported properly to the State of Ohio.	n/a

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LAKE ERIE ACADEMY

LUCAS 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 21, 2015