Eagle Academy
Lucas County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015

Dave Yost • Auditor of State

Board of Directors
Eagle Academy
1430 Idaho Street
Toledo, Ohio 43605

We have reviewed the *Independent Auditor's Report* of the Eagle Academy, Lucas County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Eagle Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

March 17, 2016

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Lucas County, Ohio
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To the Board of Directors
Eagle Academy
Lucas County, Ohio
1430 Idaho St.
Toledo, Oh 43605

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Eagle Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 financial statements referred to above present fairly, in all material respects, the financial position of Eagle Academy, Lucas County, Ohio as of June 30, 2015, 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.

Emphasis of a Matter

As described in Note 3, the Academy restated the net position balance to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Academy's Proportionate Share of the Net Pension Liability, and the Schedule of Academy Contributions on pages 3-9, 32, and 33, respectively, 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 29, 2015 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Lima, Ohio

The management's discussion and analysis of Eagle Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. 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 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 Governments*, 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 position was ($5,100,678) in 2015.
- Total assets were $321,199 in 2015.
- Deferred outflows of resources were $185,929 in 2015.
- Liabilities were $4,790,681 in 2015.
- Deferred inflows of resources were $817,125 in 2015

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 position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Eagle Academy Financial Activities
Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses, both financial and capital, 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.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 10 and 11 of this report. The Statement of Cash Flows can be found on pages 12-13.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 14-31 of this report.

Table 1 provides a summary of the Academy's net position for fiscal years 2015 and 2014:

TABLE 1
June 30

	2015	2014 (restated)
Assets		
Current Assets	$ 165,608	$ 482,052
Capital Assets - Net	145,591	168,665
Other Non-Current Assets	10,000	10,000
Total assets	321,199	660,717
Deferred Outflows of Resources		
Pension	185,929	260,202
Total Deferred Outflows of Resources	185,929	260,202
Liabilities		
Current Liabilities	254,187	354,477
Noncurrent liabilities:		
Due Within One Year	13,234	20,242
Due in More Than One Year		
Other	1,427	14,661
Net Pension Liability	4,521,833	5,372,530
Total Non-current Liabilities	4,536,494	5,407,433
Total liabilities	4,790,681	5,761,910
Deferred Inflows of Resources		
Pension	817,125	0
Total Deferred Inflows of Resources	817,125	0
Net Position		
Investment in Capital Assets	145,591	157,836
Unrestricted	(5,246,269)	(4,998,827)
Total net position	$ (5,100,678)	$ (4,840,991)

During 2015, the Academy adopted GASB Statement 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27,*" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earning approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. present value of estimated future pension benefits attributable to active and inactive employees' past service
2. minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of the pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of this exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system in responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $271,337 to ($4,840,991).

Total net position for the Academy decreased $259,687. Cash decreased $288,452 and intergovernmental receivables decreased $39,194. Current liabilities decreased $100,290. The net pension liability decreased $850,697. These decreases are mostly attributable to factors associated with the closure of the elementary campus at the beginning of the 2014-2015 school year.

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Table 2 shows the changes in net position for fiscal years 2015 and 2014, as well as a listing of revenues and expenses.

TABLE 2
June 30

	2015	2014*
Operating Revenues		
Foundation Payments	$ 1,787,201	$ 3,839,665
Other Revenues	62,480	51,531
Nonoperating Revenues		
Federal Grants	470,558	990,156
State Grants	227,823	312,944
Contributions and Donations	1,940	0
Other Non-Operating Revenue	28,401	0
Total revenue	2,578,403	5,194,296
Operating Expenses		
Purchased Services	2,518,195	4,940,019
Materials and Supplies	164,084	194,804
Depreciation	72,963	137,618
Other	72,702	11,500
Nonoperating Expenses		
Interest and Fiscal Charges	187	2,287
Loss on Disposition of Assets	9,959	3,403
Total expenses	2,838,090	5,289,631
Increase (Decrease) in Net Position	$ (259,687)	$ (95,335)

**Certain line items were reclassified for comparability*

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $260,202 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $184,052. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	$2,838,090
Pension expense under GASB 68	(184,052)
2015 contractually required contribution	143,352
Adjusted 2015 expenses	2,797,390
Total 2014 expenses under GASB 27	5,289,631
Decrease in expenses not related to pension	($2,492,241)

Net position decreased $259,687. Decreases in foundation payments, grants, purchased services, materials and supplies and other expenses are all attributable to factors related to elementary campus closure. Depreciation expense decreased by $64,655 mostly due to elementary campus assets sold or donated to a new TLG-managed academy.

Capital Assets

At the end of fiscal year 2015, the Academy had $145,591 invested in furniture, fixtures, and equipment, EDP equipment and software and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2015 and 2014.

TABLE 3

	2015	2014
Leasehold improvements	$19,595	$32,438
Furniture, Fixtures, and Equipment	44,130	61,582
EDP Equipment and Software	66,924	54,362
Non-EDP Equipment	14,942	20,281
Total Capital Assets	$145,591	$168,663

For more information on capital assets, see Note 6 to the basic financial statements.

Capital Lease

On August 11, 2011, the Academy entered into a capital lease with VAR Resources for EDP equipment with an installed value of $92,918. Principal payments during the fiscal year totaled $10,829. The lease was paid in full on October 2, 2014.

For more information on the capital lease, see Note 13 to the basic financial statements.

Current Financial Issues

Eagle Academy was formed in 2001 under a contract with the Ohio Council of Community Schools. During the 2014-2015 school year there were 250 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2015 amounted to $1,787,201.

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 Eagle Academy, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

Eagle Academy
Lucas County, Ohio
Statement of Net Position
June 30, 2015

Assets	
Current Assets:	
Cash and Cash Equivalents	$37,878
Accounts Receivable	836
Intergovernmental Receivables	95,849
Prepaid Items	31,045
Total Current Assets	165,608
Non-Current Assets:	
Security Deposit	10,000
Capital Assets:	
Depreciable Capital Assets, Net	145,591
Total Non-Current Assets	155,591
Total Assets	321,199
Deferred Outflows of Resources	
Pension	185,929
Total Deferred Outflows of Resources	185,929
Liabilities	
Current Liabilities:	
Accounts Payable	20,331
Accounts Payable - Related Party	104,858
Intergovernmental Payable	105,262
Contracts Payable	23,736
Total Current Liabilities	254,187
Non-Current Liabilities:	
Due Within One Year	13,234
Due In More Than One Year	
Other	1,427
Net Pension Liability	4,521,833
Total Non-Current Liabilities	4,536,494
Total Liabilities	4,790,681
Deferred Inflows of Resources	
Pension	817,125
Total Deferred Inflows of Resources	817,125
Net Position	
Investment in Capital Assets	145,591
Unrestricted (Deficit)	(5,246,269)
Total Net Position	($5,100,678)

See accompanying notes to the basic financial statements.

Eagle Academy
Lucas County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

Operating Revenues	
Foundation Payments	$1,787,201
Other Revenues	62,480
Total Operating Revenues	1,849,681
Operating Expenses	
Purchased Services (Note 11)	2,518,195
Materials and Supplies	164,084
Depreciation	72,963
Other	72,702
Total Operating Expenses	2,827,944
Operating Loss	(978,263)
Non-Operating Revenues and Expenses	
Federal Grants	470,558
State Grants	227,823
Loss on Disposition of Assets	(9,959)
Contributions and Donations	1,940
Other Non-Operating Revenue	28,401
Interest and Fiscal Charges	(187)
Total Non-Operating Revenues and Expenses	718,576
Change in Net Position	(259,687)
Net Position Beginning of Year - Restated (Note 3)	(4,840,991)
Net Position End of Year	($5,100,678)

See accompanying notes to the basic financial statements.

Eagle Academy
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Decrease in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$1,715,620
Cash Received from Other Operating Revenues	64,645
Cash Payments to Suppliers for Goods and Services	(2,930,761)
Net Cash Used for Operating Activities	(1,150,496)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	503,470
State Grants Received	393,318
Contributions and Donations	1,940
Taxes	(569)
Other Non-Operating Revenue	28,402
Interest Payments	(187)
Net Cash Provided by Noncapital Financing Activities	926,374
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(63,501)
Proceeds from Sale of Capital Assets	10,000
Capital Lease Principal Payments	(10,829)
Net Cash Used for Capital and Related Financing Activities	(64,330)
Net Decrease in Cash and Cash Equivalents	(288,452)
Cash and Cash Equivalents at Beginning of Year	326,330
Cash and Cash Equivalents at End of Year	$37,878

(Continued)

Eagle Academy
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	($978,263)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	72,963
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
(Increase)/Decrease in Accounts Receivable	3,925
(Increase)/Decrease in Intergovernmental Receivable	(657)
(Increase)/Decrease in Prepaid Items	(15,127)
(Increase)/Decrease in Deferred Outflows	74,273
Increase/(Decrease) in Accounts Payable	(84,595)
Increase/(Decrease) in Accounts Payable-Related Party	(120,848)
Increase/(Decrease) in Intergovernmental Payable	(55,449)
Increase/(Decrease) in Contracts Payable	(13,146)
Increase/(Decrease) in Net Pension Liability	(850,697)
Increase/(Decrease) in Deferred Inflows	817,125
Total Adjustments	(172,233)
Net Cash Used by Operating Activities	($1,150,496)

See accompanying notes to the basic financial statements.

Non-Cash Capital Transaction
At June 30, 2015 the Academy had $6,349 in Accounts Payable related to Capital Assets.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Eagle 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 in which 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 entered into a contract with Buckeye Community Hope Foundation (the "Sponsor") to sponsor the Academy for a three-year term beginning July 1, 2012 and ending June 30, 2015, and another one-year term expiring June 30, 2016. 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 Buckeye Community Hope Foundation (the sponsor) for the fiscal year ended June 30, 2015 totaled $61,896.

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 twenty non-certified personnel and seventeen certificated teachers who provide services to 250 students.

The board of directors has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. 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 14).

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 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 position, a statement of revenues, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

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. Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2015.

F. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets (continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets, except for leasehold improvements which are depreciated over the life of the lease. 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

G. 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.

H. 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.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources consist of pension. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 8).

J. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	$271,337
Adjustments:	
Net Pension Liability	(5,372,530)
Payments Subsequent to Measurement Date	260,202
Restated Net Position June 30, 2014	($4,840,991)

4. 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 local banks; therefore, the Academy has not adopted a formal investment policy.

A. Custodial Credit Risk of Bank Deposits

At June 30, 2015, the carrying value of all deposits was $37,878.

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. The Academy's bank balance of $57,165 was fully insured by the Federal Deposit Insurance Corporation.

5. RECEIVABLES

Receivables at June 30, 2015 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables	June 30, 2015
Title I	$ 36,125
Title I SIP	9,475
Title II-A	887
Special Ed	9,380
Child Nutrition	24,400
Medicaid Ohio Health Plan	235
Other Receivables	5,804
SERS Refund	8,125
Retirement due from other schools	1,418
Total	$ 95,849

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015:

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$ 145,220	$ -	$ 58,364	$ 86,856
EDP Equipment and Software	268,646	61,391	94,177	235,860
Non-EDP Equipment	47,475	4,525	24,793	27,207
Leasehold Improvements	139,520	3,934	73,250	70,204
Total Capital Assets Being Depreciated	600,861	69,850	250,584	420,127
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(83,638)	(12,404)	(53,316)	(42,726)
EDP Equipment and Software	(214,284)	(39,499)	(84,847)	(168,936)
Non-EDP Equipment	(27,194)	(4,283)	(19,212)	(12,265)
Leasehold Improvements	(107,082)	(16,777)	(73,250)	(50,609)
Total Accumulated Depreciation	(432,198)	(72,963)	(230,625)	(274,536)
Total Capital Assets Being Depreciated, Net	$ 168,663	$ (3,113)	$ 19,959	$ 145,591

7. RISK MANAGEMENT

A. 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 2015, the Academy contracted with Consolidated Insurance for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educator's Legal Liability:	
Part 1, D&O Liability	$1,000,000
Part 2, Employment Practices	1,000,000
Aggregate, All Parts	1,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal & ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
Personal Property	600,000
BI	201,000
Umbrella	8,000,000

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

B. Workers' Compensation

The Academy pays the State Worker's 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.

8. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

8. DEFINED BENEFIT PENSION PLANS (continued)

A. Net Pension Liability (continued)

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire On or Before August 1, 2017	Eligible to Retire On or After August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017 will be included in this plan

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Description - School Employees Retirement System (SERS) (continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $26,210 for fiscal year 2015. The full amount has been contributed for fiscal year 2015.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS)

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $117,142 for fiscal year 2015. The full amount has been contributed for fiscal year 2015.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

8. DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$855,947	$3,665,876	$4,521,833
Proportion of the Net Liability	.016913%	.01507136%	
Pension Expense	$42,949	$141,103	$184,052

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$7,285	$35,292	$42,577
Academy contributions subsequent to the measurement date	26,210	117,142	$143,352
Total Deferred Outflows of Resources	$33,495	$152,434	$185,929
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$138,924	$678,201	$817,125
Total Deferred Inflows of Resources	$138,924	$678,201	$817,125

$143,352 reported as deferred outflows of resources related to pension resulting from the Academy's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	($32,910)	($160,727)	($193,637)
2017	($32,910)	($160,727)	($193,637)
2018	($32,910)	($160,727)	($193,637)
2019	($32,909)	($160,728)	($193,637)
	($131,639)	($642,909)	($774,548)

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation		4.00 percent to 22 percent
COLA or Ad Hoc COLA		3 percent
Investment Rate of Return		7.75 percent net of investments expense, including inflation
Actuarial Cost Method		Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$1,221,197	$855,957	$548,759

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.75 percent
Projected salary increases		2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return		7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)		2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$5,248,102	$3,665,876	$2,327,846

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

9. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. 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 2015, the Academy's surcharge obligation was $8,732.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $1,631, $617, and $770, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System of Ohio

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $15,314, and $14,719, respectively.

The full amount has been contributed for fiscal years 2014 and 2013.

10. 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, 2015.

10. CONTINGENCIES (continued)

B. Ohio Department of Education Enrollment Review

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, Schools must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the academy, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

C. Ohio Department of Education Transportation Funding

The Ohio Department of Education provides transportation funding based on a complex formula that is based in part on ridership. Estimates and payments for 2015 did not take into account the closure of the elementary campus at the end of the 2014 school year, and the adjustment was not made until the June 2015 state aid payment. This resulted in an overpayment of transportation funds to the Academy in the amount of $158,670. Net state aid in June was insufficient to cover this amount, leaving a liability to ODE at June 30, 2015 of $60,256. Repayment arrangements have not yet been determined.

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2015, purchased service expenses were payments for services rendered by various vendors, as follows:

Purchased Services	2015
Salaries	$ 1,051,010
Benefits	385,643
Other Professional and Technical Services	151,740
The Leona Group, LLC	298,668
Legal Services	4,000
Buckeye Community Hope Foundation	61,896
Cleaning Services	3,364
Repairs and Maintenance	18,782
Building Rental	181,604
Other Rentals	10,834
Communication	35,468
Advertising	8,875
Contracted Food Service	127,047
Pupil Transportation	179,264
Total Purchased Services	$ 2,518,195

12. OPERATING LEASES

In May 2011, the Academy entered into a lease agreement with Toledo St. Thomas Aquinas Parish for a school facility, rectory, gymnasium and parking lot, with minimum required payments of $15,000 per month over the period from August 1, 2011 through July 31, 2016. The minimum annual rental payments are subject to an annual increase of 2 percent following June 30 of each year of the lease term. Cash payments under the lease agreement totaled $191,017; however, the Academy recognized straight-line rent expense in connection with the lease of $181,604 for the fiscal year ended June 30, 2015. In addition, the statement of net position includes noncurrent other liabilities of $14,661, which represents the cumulative difference between straight-line rent expense and the expense based on contract-to-date payments.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2015.

Fiscal Year Ending June 30,	Facility Lease
2016	$ 194,838
2017	16,561

13. CAPITAL LEASE

The Academy has entered into a lease agreement as lessee for financing the purchase of equipment. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is secured by the equipment. The equipment is valued at historical cost. The equipment was capitalized at a cost of $92,918 and has been fully depreciated. The lease was paid in full on October 2, 2014.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective July 1, 2006 through June 30, 2012, with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. The contract provides for automatic three-year renewals and is currently effective through June 30, 2018. In exchange for its services, TLG receives a capitation fee of 12% of per-pupil expenditures and a year-end fee of 50 percent of the audited financial statement excess of revenue over expenditures, if any. The Academy incurred capitation fees of $298,668 for the 2015 fiscal year.

Terms of the management contract requires TLG to provide the following:

A. implementation and administration of the educational program;

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

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.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

Also, 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.

Related Party Transactions	2015
Salaries	1,051,010
Benefits	344,942
Advertising	2,551
Communications	2,985
Contracted Trades	1,777
Materials and Supplies	5,897
Other Direct Costs	7,797
Other Professional and Technical Services	42,203
Total Related Party Transactions	1,459,162

At June 30, 2015, the Academy had a balance due to The Leona Group, LLC in the amount of $23,736 recorded as contracts payable on the statement of net position. This consists mostly of outstanding management fees and pending reimbursements. The following is a schedule of payables to The Leona Group, LLC:

Balance Due to The Leona Group, LLC		June 30, 2015
Management Fees	$	7,607
Payroll		51
Miscellaneous		16,078
Total Due to The Leona Group LLC	$	23,736

The statement of net position also includes a liability for accrued wages and benefits due to The Leona Group, LLC in the amount of $104,858 recorded as accounts payable – related party.

15. SUBSEQUENT EVENT

On August 24, 2015 the Academy issued $400,000 in Foundation Anticipation Notes. The annual rate of interest is a floating rate equal to the Prime Rate, as determined by the Registered Owner. Principal and interest is due monthly beginning September 30, 2015 and the notes mature on June 30, 2016.

Eagle Academy
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2014	2013
State Teachers Retirement System (STRS)		
Academy's proportion of the net pension liability (asset)	0.01507136%	0.01507136%
Academy's proportionate share of the net pension liability (asset)	$ 3,665,876	$ 4,366,768
Academy's covered-employee payroll	$ 1,531,438	$ 1,471,931
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.37%	296.67%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
School Employees Retirement System (SERS)		
Academy's proportion of the net pension liability (asset)	0.01691300%	0.01691300%
Academy's proportionate share of the net pension liability (asset)	$ 855,957	$ 1,005,762
Academy's covered-employee payroll	$ 440,945	$ 481,221
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	194.12%	209.00%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Eagle Academy
Lucas County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
State Teachers Retirement System (STRS)										
Contractually Required Contribution	$ 117,142	$ 199,087	$ 191,351	$ 156,084	$ 97,339	$ 80,717	$ 47,602	$ 53,541	$ 51,089	$ 45,813
Contributions in Relation to the Contractually Required Contribution	(117,142)	(199,087)	(191,351)	(156,084)	(97,339)	(80,717)	(47,602)	(53,541)	(51,089)	(45,813)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered-employee payroll	$ 836,729	$ 1,531,438	$ 1,471,931	$ 1,200,646	$ 748,762	$ 620,900	$ 366,169	$ 411,854	$ 392,992	$ 352,408
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)										
Contractually required contribution	$ 26,210	$ 61,115	$ 66,601	$ 54,312	$ 38,105	$ 24,609	$ 17,033	$ 11,951	n/a	n/a
Contributions in relation to the contractually required contribution	(26,210)	(61,115)	(66,601)	(54,312)	(38,105)	(24,609)	(17,033)	(11,951)	n/a	n/a
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	n/a	n/a
Academy's covered-employee payroll	$ 198,862	$ 440,945	$ 481,221	$ 403,807	$ 303,142	$ 181,750	$ 173,100	$ 121,701	n/a	n/a
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	n/a	n/a

n/a - Information prior to 2008 is not available

December 29, 2015

To the Board of Directors
Eagle Academy
Lucas County, Ohio
1430 Idaho St.
Toledo, Oh 43605

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eagle Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 29, 2015, wherein we noted the Academy restated net position to account for the implementation GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Lima, Ohio

Dave Yost • Auditor of State

EAGLE 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
MARCH 29, 2016

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