Lake Erie Academy
Lucas County, Ohio

Audited Financial Statements

For the Fifteen Month Period Ending
September 30, 2015

Dave Yost • Auditor of State

Board of Directors
Lake Erie Academy
2740 West Central Ave.
Toledo, Oh 43606

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

Dave Yost

Dave Yost
Auditor of State

April 28, 2016

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

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Lucas County, Ohio
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January 29, 2016

To the Board of Directors
Lake Erie Academy
Lucas County, Ohio
2740 West Central Ave.
Toledo, Oh 43606

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Erie Academy, Lucas County, Ohio (the Academy) as of and for the fifteen month period ended September 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.

CPAs and business consultants
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Erie Academy, Lucas County, Ohio as of September 30, 2015, and the changes in its financial position and its cash flows for the fifteen month period 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*. Also, described in Note 15, the Academy recognized a special item due to the implementation of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* as the Academy elected to close effective June 30, 2015. Our opinion is not modified with respect to these matters.

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 3-8, 28, and 29, 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 January 29, 2016 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 Lake Erie Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the period from July 1, 2014 to September 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.

Lake Erie Academy ceased operations as of June 30, 2015. The Academy's financial statements have been prepared on a fifteen-month basis with a closing date of September 30, 2015.

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

- Net position was $0 in 2015 due to the Academy discontinuing operations and closing on June, 30, 2015. The financial statements have been prepared to capture activity through September 30, 2015.

- Total assets were $95,183 in 2015, including $15,647 in assets held for resale at the direction of the Ohio Department of Education. All other assets were either sold, donated, or retired due to results of physical inventory.

- Liabilities were $95,183 in 2015.

- A Special Item of $3,303,939 representing activity directly related to the closing of the Academy is presented. This activity includes the write-off of pension-related liabilities and deferrals, management fees due to the management company, and a loss on the sale and donation of assets. Any cash balances remaining after the collection of receivables, sale of assets, and payment of liabilities will be returned to the Ohio Department of Education (ODE).

Using this Annual Report

This report consists of three parts, required supplementary information, 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.

Lake Erie 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, liabilities, deferred outflows and 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 9 and 10 of this report. The Statement of Cash Flows can be found on pages 11-12.

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 13-27 of this report.

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

TABLE 1

	September 30, 2015	June 30, 2014 (restated)
Assets		
Current Assets	$ 79,536	$ 212,837
Assets Held for Resale	15,647	
Capital Assets - Net	0	50,901
Total assets	95,183	263,738
Deferred Outflows of Resources		
Pension	0	166,606
Total Deferred Outflows of Resources	0	166,606
Liabilities		
Current Liabilities	95,183	473,997
Long-term liabilities		
Due in More Than One Year		
Net Pension Liability	0	3,346,744
Non-current Liabilities	0	3,346,744
Total liabilities	95,183	3,820,741
Net Position		
Invested in capital assets–net of related debt	0	50,901
Unrestricted	0	(3,441,298)
Total net position	$ 0	$ (3,390,397)

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.

As a result of the Academy's close, the Academy also implemented GASB Statement 69, "Government Combinations and Disposals of Government Operation." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

As a result of implementing GASB 68, the Academy restated net position at June 30, 2014, from ($210,259) to ($3,390,397), and recorded additional activity in fiscal year 2015 related to pension expense and changes in deferred outflows, deferred inflows, and net pension liability.

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 69, the Academy recorded a Special Item related to the write-off of the resulting deferred outflows, deferred inflows and net pension liability as well as certain other assets and liabilities in order to report a net position of $0.

Intergovernmental Receivables is $13,382 in over-collected foundation payments by the School Employees Retirement Systems and will be refunded upon approval from ODE. Assets Held for Resale is $15,647, the net book value of equipment purchased with the "Straight A" grant, awaiting release for sale by ODE. Contracts Payable is $85,647, and consists of management fees due to the management company and the employer portion of retirement costs to be advanced to State Teachers Retirement System by the management company.

Table 2 shows the changes in net position for fiscal years 2015(fifteen month period) and 2014 (twelve month period), as well as a listing of revenues and expenses.

TABLE 2

	September 30 2015	June 30 2014
Operating Revenues		
Foundation Payments	$ 1,706,724	$ 1,768,953
Other Revenues	24,749	27,321
Non-operating Revenues		
Federal Grants	574,929	553,473
State Grants	292,605	169,686
Total revenue	2,599,007	2,519,433
Operating Expenses		
Purchased Services	2,287,401	2,474,642
Property Taxes	4,221	6,764
Materials and Supplies	90,405	59,739
Depreciation	30,442	78,926
Other	88,134	5,416
Non-operating Expenses		
Interest and Fiscal Charges	2,064	1,133
Loss on Disposal of Assets	9,882	-
Total expenses	2,512,549	2,626,620
Special Item	3,303,939	220,701
Increase (Decrease) in Net Position	$ 3,390,397	$ 113,514

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 $166,606 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 $118,732. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 Program Expenses under GASB 68	$	2,512,549
Pension Expense under GASB 68		(118,732)
2015 contractually required contribution		192,907
Adjusted 2015 program expenses		2,586,724
Total 2014 program expenses under GASB 27		2,626,620
Decrease in program expenses not related to pension	$	(39,896)

Net position increased $3,390,397. Depreciation expense decreased $48,484 due to a number of assets reaching the end of their useful lives before fiscal year end. Loss on Disposal of Assets of $9,882 is the net book value of assets retired due to the results of physical inventory. The Special Item in 2014 relates to property tax issues including retroactive reductions in property values, exemptions granted for certain tax years, and overpayments from previous years applied to the liability. All overpayments as of June 30, 2014 have been refunded to the Academy, and tax payments in fiscal year 2015 consist solely of special tax assessments.

The Special Item in 2015 consists of the following:

Write-off of net pension liability	$	2,817,872
Write-off of deferred inflows related to pension		507,445
Write-off of management fees		221,431
Write-off of deferred outflows related to pension		(219,353)
Loss on sale and donation of assets related to the Academy's closure		(23,456)
Total Special Item	$	3,303,939

Capital Assets

At the end of the fiscal year 2015, the Academy had sold or donated all capital assets to another community school due to the closing of the Academy, with the exception of certain state-grant funded assets whose disposition had not yet been determined. The net book value of those assets, totaling $15,647, are recorded in Assets Held for Resale. Table 3 shows capital assets (net of depreciation) for the fiscal years 2015 and 2014.

TABLE 3

	2015	2014
Furniture, Fixtures, and Equipment	$0	$4,901
EDP Equipment and Software	0	38,144
Non-EDP Equipment	0	7,856
Total Capital Assets	$0	$50,901

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

Debt

On September 26, 2014, the Academy received a $150,000 loan from RBS Citizens that was repaid in full during the fiscal year.

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

Current Financial Issues

Lake Erie Academy was formed in 2002 under a contract with the Ohio Council of Community Schools. During the 2014-2015 school year there were 243 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2015 amounted to $1,706,724.

The Academy ceased operations as of June 30, 2015. The financial statements are presented as of September 30, 2015.

Contacting the Academy'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 Lake Erie Academy, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

Lake Erie Academy
Lucas County, Ohio
Statement of Net Position
September 30, 2015

Assets	
Current Assets:	
Cash and Cash Equivalents	$66,154
Intergovernmental Receivables	13,382
Assets Held for Resale	15,647
Total Current Assets	95,183
Total Assets	95,183
Liabilities	
Current Liabilities:	
STRS Payable	5,856
Intergovernmental Payable	3,680
Contracts Payable	85,647
Total Current Liabilities	95,183
Total Liabilities	95,183
Net Position	
Unrestricted (Deficit)	0
Total Net Position	$0

See accompanying notes to the basic financial statements.

Lake Erie Academy
Lucas County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Period From July 1, 2014 to September 30, 2015

Operating Revenues	
Foundation Payments	$1,706,724
Other Revenues	24,749
Total Operating Revenues	1,731,473
Operating Expenses	
Purchased Services (Note 11)	2,287,401
Materials and Supplies	90,405
Depreciation	30,442
Property Taxes	4,221
Other	88,134
Total Operating Expenses	2,500,603
Operating Loss	(769,130)
Non-Operating Revenues and Expenses	
Federal Grants	574,929
State Grants	292,605
Loss on Disposal of Assets	(9,882)
Interest and Fiscal Charges	(2,064)
Total Non-Operating Revenues and Expenses	855,588
Income Before Special Item	86,458
Special Item (Note 15)	3,303,939
Change in Net Position	3,390,397
Net Position Beginning of Year (Restated - Note 3)	(3,390,397)
Net Position End of Year	$0

See accompanying notes to the basic financial statements.

Lake Erie Academy
Lucas County, Ohio
Statement of Cash Flows
For the Period From July 1, 2014 to September 30, 2015

Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$1,706,724
Cash Received from Other Operating Revenues	47,600
Cash Received for Property Tax Refund	62,229
Cash Payments to Suppliers for Goods and Services	(2,654,447)
Net Cash Used for Operating Activities	(837,894)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	658,220
State Grants Received	298,585
Proceeds from Sale of Assets	1,000
Proceeds from Notes	150,000
Principal Payments	(150,000)
Interest Payments	(2,064)
Net Cash Provided by Noncapital Financing Activities	955,741
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(54,372)
Net Cash Used for Capital and Related Financing Activities	(54,372)
Net Increase in Cash and Cash Equivalents	63,475
Cash and Cash Equivalents at Beginning of Year	2,679
Cash and Cash Equivalents at End of Year	$66,154

(Continued)

Lake Erie Academy
Lucas County, Ohio
Statement of Cash Flows
For the Period From July 1, 2014 to September 30, 2015
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	($769,130)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	30,442
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	21,745
(Increase)/Decrease in Intergovernmental Receivable	85,762
(Increase)/Decrease in Deferred Outflows	(52,747)
Increase/(Decrease) in Accounts Payable	(56,830)
Increase/(Decrease) in Accounts Payable-Related Party	(89,337)
Increase/(Decrease) in Intergovernmental Payable	(759)
Increase/(Decrease) in Contracts Payable	14,388
Increase/(Decrease) in Net Pension Liability	(528,873)
Increase/(Decrease) in Deferred Inflows	507,445
Total Adjustments	(68,764)
Net Cash Used by Operating Activities	($837,894)

Non-Cash Transaction
The Academy capitlized $24,845 in accounts payable during fiscal year 2014.

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Lake Erie Academy (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. 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. This contract was not renewed.

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 academy. 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 non-certified personnel and 24 certificated teachers who provide services to 243 students.

The Governing Board 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 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 14).

The Academy ceased operations as of June 30, 2015. The financial statements are presented through September 30, 2015.

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 period from July 1, 2014 to September 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets (continued)

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

All reported capital assets 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.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For the period from July 1, 2014 to September 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 a restatement of net position as previously reported and the recognition of pension expense due to changes in deferred outflows, deferred inflows and net pension liability during the period from July 1, 2014 to September 30, 2015. See the next page 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 result in any change to net position as previously stated but is incorporated in the accompanying financial statements as it relates to the closing of the Academy.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION(continued)

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	($210,259)
Adjustments:	
Net Pension Liability	(3,346,744)
Payments Subsequent to Measurement Date	166,606
Restated Net Position June 30, 2014	($3,390,397)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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. The Academy's cash is not subject to custodial credit risk.

A. Custodial Credit Risk of Bank Deposits

At September 30, 2015, the carrying value of all deposits was $66,154.

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 $68,919 was fully insured by the Federal Deposit Insurance Corporation.

5. RECEIVABLES

Receivables at September 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:

Intergovernmental Receivables	September 30, 2015
School Employees Retirement System	$ 13,382
Total Intergovernmental Receivable	$ 13,382

6. CAPITAL ASSETS

Capital asset activity for the period from July 1, 2014 to September 30, 2015:

	Balance 6/30/14	Additions	Deletions	Balance 9/30/15
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$ 103,544	$ -	$ 103,544	$ -
EDP Equipment and Software	169,312	28,284	197,596	-
Non-EDP Equipment	35,566	1,243	36,809	-
Leasehold Improvements	584,595	-	584,595	-
Library	30,000	-	30,000	-
Total Capital Assets Being Depreciated	923,017	29,527	952,544	-
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(98,643)	(1,199)	(99,842)	-
EDP Equipment and Software	(131,168)	(26,238)	(157,406)	-
Non-EDP Equipment	(27,710)	(3,005)	(30,715)	-
Leasehold Improvements	(584,595)	-	(584,595)	-
Library	(30,000)	-	(30,000)	-
Total Accumulated Depreciation	(872,116)	(30,442)	(902,558)	-
Total Capital Assets Being Depreciated, Net	$ 50,901	$ (915)	$ 49,986	$ -

Due to the closing of the Academy at June 30, 2015, most of its assets were sold or donated to another academy managed by The Leona Group, LLC. Certain assets purchased with state funding were not included in that transaction and are being held for resale as of the date of this report. The Ohio Department of Education is to provide direction regarding these assets. The assets, with a net book value of $15,647, are reflected in the balance sheet as Inventory Held for Resale.

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 Philadelphia 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	2,000,000
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	282,613
BI	101,000
Umbrella	4,000,000

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

As a result of the implementation of GASB 69, the Academy shows no net pension liability as of September 30, 2015.

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

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 period from July 1, 2014 to September 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.

8. DEFINED BENEFIT PENSION PLANS (continued)

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

The Academy's contractually required contribution to SERS was $40,696 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.

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.

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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 period from July 1, 2014 to September 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 $152,211 for fiscal year 2015. Of this amount $5,856 is reported as payable to STRS.

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

As a result of the implementation of GASB 69, the Academy shows no deferred outflows of resources related to pension and no deferred inflows related to pension as of September 30, 2015.

Although deferred outflows of resources, deferred inflows of resources, and net pension liability were eliminated in the implementation of GASB 69, pension expense was computed by recording other changes in those factors during the fiscal year.

Following is information related to the Academy's pension expense:

	SERS	STRS	Total
Pension Expense	$35,151	$83,581	$118,732

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.

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 $5,661.

The Academy's contributions for health care for the fiscal years ended September 30, 2015; June 30, 2014; and June 30, 2013 were $2,533, $486, and $516, 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.

9. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio (continued)

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 September 30, 2015; June 30, 2014; and June 30, 2013 were $0, $9,114, and $10,239, 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 September 30, 2015.

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.

11. PURCHASED SERVICE EXPENSES

For the period from July 1, 2014 to September 30, 2015, purchased service expenses were payments for services rendered by various vendors, as follows:

Purchased Services	2015
Salaries	$ 875,907
Fringe Benefits	214,496
Other Professional and Technical Services	144,276
The Leona Group, LLC	191,808
Legal Services	3,820
Ohio Council of Community Schools	58,993
Cleaning Services	3,661
Repairs and Maintenance	36,615
Building Rental	252,000
Other Rentals	9,263
Communication	23,206
Advertising	4,577
Utilities	94,427
Contracted Food Service	152,882
Pupil Transportation	221,470
Total Purchased Services	$ 2,287,401

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. On August 28, 2014, 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 $252,000 during fiscal year 2015. As the Academy ceased operations as of June 30, 2015, there are no further minimum payments.

13. NOTES PAYABLE

Debt activity for the period July 1, 2014 to September 30, 2015 was as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 9/30/15
Note Payable – RBS Citizens	$0	$150,000	$150,000	$0
Total	$0	$150,000	$150,000	$0

The Board of Directors entered into a loan agreement with RBS Citizens, NA on September 26, 2014. This agreement provided the Academy with $150,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner.

14. RELATED PARTY TRANSACTIONS/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 (TLG) for educational management services for all of the management, operations, 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. The relationship continued to June 30, 2015 on an automatic one-year extension provided for in the original agreement. In exchange for its services, TLG receives a capitation fee of the difference between audited total revenue less total expenditures net of depreciation expense less capital asset purchases. The Academy incurred capitation fees of $191,808 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 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	$ 875,907
Benefits	288,671
Advertising	2,329
Communications	18
Contracted Trades	1,750
Materials and Supplies	6,153
Other Direct Costs	6,838
Other Professional and Technical Services	32,377
Total Related Party Transactions	$ 1,214,043

At September 30, 2015, the Academy had a balance due to The Leona Group, LLC in the amount of $85,647. This consists mostly of outstanding management fees and an amount paid to the State Teachers Retirement System on the Academy's behalf. The following is a schedule of payables to The Leona Group, LLC:

Balance Due to The Leona Group	September 30, 2015
Retirement costs	$ 15,270
Management Fees	70,377
Total	$ 85,647

15. SPECIAL ITEM – THE CLOSURE OF LAKE ERIE ACADEMY

On April 9, 2015, the Academy's Board of Directors passed a resolution to cease operations, effectively closing the Academy on June 30, 2015.

Pursuant to GASB Statement No. 69, the Academy is reporting a special item representing activities directly related to the closure. A summary of principal items included as a special item on the Statement of Revenues, Expenses and Changes in Net Position follows:

Write-off of net pension liability	$	2,817,872
Write-off of deferred inflows related to pension		507,445
Write-off of management fees		221,431
Write-off of deferred outflows related to pension		(219,353)
Loss on sale and donation of assets related to the Academy's closure		(23,456)
Total Special Item	$	3,303,939

Lake Erie 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	0.00000000%	0.00907278%
Academy's proportionate share of the net pension liability	$ 0	$ 2,628,742
Academy's covered-employee payroll	$ 911,431	$ 1,023,862
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	256.75%
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	0.00000000%	0.01207400%
Academy's proportionate share of the net pension liability	$ 0	$ 718,002
Academy's covered-employee payroll	$ 347,186	$ 322,659
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	222.53%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	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.
The Academy closed at the end of FY2015 and implemented GASB 69, resulting in a special item to remove the pension liability for the period ending September 30, 2015.

Lake Erie 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	$ 152,211	$ 118,486	$ 133,102	$ 115,951	$ 80,474	$ 63,459	$ 84,925	$ 63,228	$ 71,455	$ 89,345
Contributions in Relation to the Contractually Required Contribution	(152,211)	(118,486)	(133,102)	(115,951)	(80,474)	(63,459)	(84,925)	(63,228)	(71,455)	(89,345)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered-employee payroll	$ 1,087,221	$ 911,431	$ 1,023,862	$ 891,931	$ 619,031	$ 488,146	$ 653,269	$ 486,369	$ 549,654	$ 687,269
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	$ 40,696	$ 48,120	$ 44,656	$ 34,063	$ 31,761	$ 22,727	$ 13,032	$ 12,648	n/a	n/a
Contributions in relation to the contractually required contribution	(40,696)	(48,120)	(44,656)	(34,063)	(31,761)	(22,727)	(13,032)	(12,648)	n/a	n/a
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	n/a	n/a
Academy's covered-employee payroll	$ 308,771	$ 347,186	$ 322,659	$ 253,257	$ 252,673	$ 167,851	$ 132,439	$ 128,798	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

January 29, 2016

To the Board of Directors
Lake Erie Academy
Lucas County, Ohio
2740 West Central Ave.
Toledo, Oh 43606

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 Lake Erie Academy, Lucas County, Ohio (the Academy) as of and for the fifteen month period ended September 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 January 29, 2016, 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* and recognized a special item due to the implementation of GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*.

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

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Dave Yost • Auditor of State

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
MAY 10, 2016

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov