



Mary Taylor, CPA
Auditor of State

GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Great Lakes Environmental Academy
Lucas County
2913 South Republic Blvd.
Toledo, Ohio 43615

To the Governing Board:

We have audited the accompanying basic financial statements of the Great Lakes Environmental Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Great Lakes Environmental Academy, Lucas County, Ohio, as of June 30, 2008, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

June 9, 2009

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The management's discussion and analysis of Great Lakes Environmental Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- In total, net assets (deficit) were \$(117,483) in 2008.
- Total assets were \$177,378 in 2008.
- Liabilities were \$294,861 in 2008.

Using this Annual Report

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

Statement of Net Assets (Deficit)

The statement of net assets (deficit) answers the question, "How did we do financially during 2008?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

Table I provides a summary of the Academy's net assets for fiscal year 2008. As this was the initial period of operation, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

TABLE I

	June 30, 2008
Assets	
Current Assets	\$ 141,585
Capital Assets - Net	35,793
Total assets	177,378
Liabilities	
Current Liabilities	294,861
Total liabilities	294,861
Net Assets (Deficit)	
Invested in capital assets	35,793
Unrestricted	(153,276)
Total net assets (deficit)	\$ (117,483)

Total net assets for the Academy were \$(117,483), due primarily to a large liability to the management company for expenses covered by the management company. Cash was \$79,572. Intergovernmental receivables were \$36,240 due primarily to the timing of receipt of grant funding. Capital assets, net of depreciation, were \$35,793.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

Table 2 shows the changes in net assets (deficit) for fiscal year 2008, as well as a listing of revenues and expenses. As this was the initial period of operation, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

TABLE 2

	June 30, 2008
Operating Revenues	
Foundation Payments	\$ 631,689
Food Services	744
Nonoperating Revenues	
Federal Grants	163,806
State Grants	3,000
Total revenue	799,239
Operating Expenses	
Purchased Services	719,425
Materials and Supplies	127,842
Depreciation	7,519
Other expenses	43,122
Nonoperating Expenses	
Interest	18,814
Total expenses	916,722
(Decrease) in Net Assets (Deficit)	\$ (117,483)

Net assets (deficit) were \$(117,483) due solely to there being far more expenses than the revenue could cover. The management company for the Academy covered the shortfall in 2008.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

Capital Assets

At the end of fiscal year 2008, the Academy had \$35,793 invested in furniture, fixtures, and equipment and vehicles (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal year 2008.

TABLE 3

	2008
EDP equipment and software	\$ 21,174
Non EDP Equipment	7,756
Vehicles	6,863
Total Capital Assets	<u>\$ 35,793</u>

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

Current Financial Issues

Great Lakes Environmental Academy was formed in 2007 under a contract with the Ohio Council of Community Schools. During the 2007-2008 school year there were 72 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2008 amounted to \$631,689.

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 Great Lakes Environmental Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets

Current Assets:

Cash and Cash Equivalents	\$ 79,572
Intergovernmental Receivables	36,240
Prepaid Items	25,773
<i>Total Current Assets</i>	<u>141,585</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>35,793</u>
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<i>Total Assets</i>	<u>177,378</u>
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Liabilities

Current Liabilities:

Accounts Payable	26,432
Accrued Wages Payable	6,266
Intergovernmental Payable	5,599
Accrued Interest Payable	335
Notes Payable	77,778
Contracts Payable	178,451
<i>Total Current Liabilities</i>	<u>294,861</u>

Net Assets

Invested in Capital Assets	35,793
Unrestricted	<u>(153,276)</u>
<i>Total Net Assets</i>	<u>\$ (117,483)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation Payments	\$ 631,689
Food Services	744
	<hr/>
<i>Total Operating Revenues</i>	632,433
	<hr/>
Operating Expenses	
Purchased Services	719,425
Materials and Supplies	127,842
Depreciation	7,519
Other	43,122
	<hr/>
<i>Total Operating Expenses</i>	897,908
	<hr/>
<i>Operating Loss</i>	(265,475)
	<hr/>
Non-Operating Revenues and Expenses	
Federal Grants	163,806
State Grants	3,000
Interest and Fiscal Charges	(18,814)
	<hr/>
<i>Total Non-Operating Revenues and Expenses</i>	147,992
	<hr/>
<i>Change in Net Assets</i>	(117,483)
	<hr/>
<i>Net Assets Beginning of Year</i>	-
	<hr/>
<i>Net Assets End of Year</i>	\$ (117,483)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 631,689
Cash Received for Food Services	528
Cash Payments to Suppliers for Goods and Services	<u>(699,853)</u>

Net Cash Used for Operating Activities (67,636)

Cash Flows from Noncapital and Related Financing Activities:

Other Non-Operating Revenues	
Federal Grants Received	131,220
Proceeds from Notes	700,000
Principal Payments	(622,222)
Interest Payments	<u>(18,478)</u>

Net Cash Provided by Noncapital Financing Activities 190,520

Cash Flows from Capital Financing Activities:

Payments for Capital Acquisitions	<u>(43,312)</u>
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Net Increase in Cash and Cash Equivalents 79,572

<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>-</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 79,572</u></u>

(Continued)

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

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

Operating Loss	\$ (265,475)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	7,519
Changes in Assets and Liabilities:	
(Increase) in Intergovernmental Receivable	(655)
(Increase) in Prepaid Items	(25,773)
Increase in Accounts Payable	26,432
Increase in Intergovernmental Payable	5,599
Increase in Accrued Wages Payable	6,266
Increase in Contracts Payable	<u>178,451</u>
<i>Total Adjustments</i>	<u>197,839</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ (67,636)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

The Academy was approved for operation under a contract with The Ohio Council of Community Schools (the Sponsor) for a period of five years commencing March 14, 2007. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member Governing Board. The Governing Board 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 Governing Board controls the Academy's instructional/support facility staffed by three non-certified personnel and five certificated teaching personnel who provide services to 72 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 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 and year-end fee (See Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus

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

C. Basis of Accounting

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Capital Assets

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

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

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years
Vehicles	8 years

F. Operating Revenues and Expenses

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

G. Estimates

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

3. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy's deposit consists solely of a checking account at a local bank; therefore, the Academy has not adopted a formal investment policy. At June 30, 2008, the carrying amount of the Academy's deposit was \$79,572. The Academy's bank balance of \$95,633 was covered by Federal Deposit Insurance Corporation.

4. RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants and reimbursements. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Title I	5,081
Federal Charter School Grant	22,953
Title IIA	215
Title IID	52
Special Education Part B	2,326
Restricted Grants-In-Aid	3,000
National School Lunch Program	1,959
Renhill Reimbursements	438
Local Lunch Money	216
Total Intergovernmental Receivables	<u>\$ 36,240</u>

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Capital Assets Being Depreciated:				
EDP Equipment and Software		\$ 26,874		\$ 26,874
Non EDP Equipment		8,688		8,688
Vehicles		7,750		7,750
Total Capital Assets				
Being Depreciated		43,312		43,312
Less Accumulated Depreciation:				
EDP Equipment and Software		(5,700)		(5,700)
Non EDP Equipment		(932)		(932)
Vehicles		(887)		(887)
Total Accumulated Depreciation		(7,519)		(7,519)
Total Capital Assets				
Being Depreciated, Net		\$ 35,793		\$ 35,793

6. 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 2008, the Academy contracted with Willis of Arizona, Inc. and National Union Fire Insurance Company for general liability, automobile liability and educational errors and omissions insurance.

Coverage is as follows:

Educational Errors and Omissions:		
Per occurrence		\$10,000,000
Total per year		10,000,000
General Liability:		
Per occurrence		1,000,000
Total per year		2,000,000
Vehicle		1,000,000

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.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2008 were \$5,251; 100 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System of Ohio

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

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

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS - (Continued)

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2008 was \$26,720; 100 percent has been contributed for fiscal year 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages.

8. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$1,568.

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.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. POSTEMPLOYMENT BENEFITS – (Continued)

The Academy's contributions for health care for the fiscal year ended June 30, 2008 was \$1,568. 100 percent has been contributed for fiscal year 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2008 were \$248. 100 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System

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

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2008 were \$1,909. 100 percent has been contributed for fiscal year 2008.

9. 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, 2008.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education reflected the Academy owed the Ohio Department of Education \$68.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors, as follows:

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. PURCHASED SERVICE EXPENSES – (Continued)

Salaries	\$ 232,029
Fringe Benefits	89,497
Repairs and maintenance	32,986
Legal	4,255
Advertising	15,526
Gas and Electricity	38,631
The Leona Group, LLC.	95,909
Cleaning Services	9,452
Communications	5,684
Food Services	9,289
Other rentals and leases	3,704
Building lease agreements	108,522
Other Professional and Technical Services	73,942
Total Purchased Services	\$ 719,425

11. OPERATING LEASES

The Academy has entered into a facility lease for the period July 9, 2007 through June 30, 2009 with Hess Family, Ltd. Payments made totaled \$108,522 for the fiscal period. The Academy has the option to extend the lease for one, additional five-year term.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2008.

Fiscal Year Ending June 30, 2009	Facility Lease
	108,522
Total minimum lease payments	\$ 108,522

12. NOTES PAYABLE

Debt Activity during 2008 was as follows:

	Balance at 07/01/07	Additions	Reductions	Balance at 06/30/08
Note Payable-Charter One Bank	\$ 700,000	\$ 622,222	\$ 77,778	\$ 77,778

The Academy entered into a loan with Charter One Bank for \$700,000 on October 9, 2007. The note was used to pay for general operations of the Academy. The note has a floating interest rate equal to the Prime Rate and has a maturity date of June 30, 2008.

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. MANAGEMENT COMPANY AGREEMENT AND EXPENSES

The Academy entered into a five-year contract, effective July 1, 2007 through June 30, 2012, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. There were no management fees paid to TLG in 2008. Terms of the contract require TLG to provide the following:

- A. implementation and administration of the Educational Program;
- B. management of all personnel functions, including professional development;
- 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.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by TLG. These expenses include rent, salaries of TLG employees working at the Academy, and other costs related to providing educational and administrative services.

<u>Expenses</u>	<u>2008</u>
<i>Direct Expenses:</i>	
Salaries and Wages	\$ 232,029
Employee Benefits	89,497
Professional and Technical Services	115,242
Property Services	22,006
Travel	321
Communications	8,513
Contracted Craft or Trade Services	505
Transportation	218
Other Supplies	11,856
Depreciation	1,403
Other Director Costs	17,220
<i>Indirect Expenses:</i>	<u>0</u>
Total Expenses	<u><u>\$ 498,810</u></u>

At June 30, 2008, the Academy had contract payables to TLG in the amount of \$178,451. The following is a schedule of payables to TLG:

	<u>Amount</u>
Management Fee	\$ 95,909
Miscellaneous	82,543
Total Contract Payable	<u><u>\$ 178,451</u></u>

**GREAT LAKES ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. SUBSEQUENT EVENT

The Academy entered into a loan agreement with Charter One Bank on October 2, 2008 with a maturity date of June 30, 2009. This agreement provided the Academy with \$500,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

15. MANagements Plans Regarding Accumulated Deficit

The Academy has worked throughout the school year to craft and implement organizational changes aimed at increasing enrollment and providing quality educational opportunities to all students. Great Lakes Environmental Academy has strengthened ties with a sister school, Wildwood Environmental Academy, in order to create a feeder pattern for enrollment. This bond will also allow both schools to benefit from shared programming and resources. Further, the Academy Board has set realistic and obtainable enrollment goals for the 2009-2010 school year. The proposed budget for next year is built on these goals and demonstrates a positive end-of-year fund balance provided enrollment is maintained. The Academy, its management company and school board, along with parent organizations and community partners continue to implement grassroots and paid marketing plans and will participate in multiple efforts to "get the word out" about parent satisfaction, student success and future plans for the Academy.



Mary Taylor, CPA

Auditor of State

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

Great Lakes Environmental Academy
Lucas County
2913 South Republic Blvd.
Toledo, Ohio 43615

To the Governing Board:

We have audited the basic financial statements of Great Lakes Environmental Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2008, and have issued our report thereon dated June 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Academy's management in a separate letter dated June 9, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a noncompliance matter that we reported to the Academy's management in a separate letter dated June 9, 2009.

We intend this report solely for the information and use of management, governing board and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 9, 2009



Mary Taylor, CPA
Auditor of State

GREAT LAKES ENVIRONMENTAL 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
JULY 14, 2009**