Lake Erie Academy
Lucas County

Financial Report

June 30, 2010

Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

Dave Yost

DAVE YOST
Auditor of State

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

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lake Erie Academy, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 5, 2011

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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Contents

Plante & Moran, PLLC
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Lake Erie Academy

We have audited the accompanying basic financial statements of Lake Erie Academy as of and for the year ended June 30, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic 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 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2010 and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 26, 2010 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, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 26, 2010

The management's discussion and analysis of Lake Erie Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also 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 Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased $12,173, which represents a 5.7 percent decrease from 2009. This was due in part to a decrease in capital assets, net of depreciation.

- Total assets decreased $21,807, which represents a 3.9 percent decrease from 2009. This was due primarily to a decrease in cash.

- Liabilities decreased $9,634, which represents a 2.8 percent decrease from 2009. This decrease was due to a decrease in contracts payable to the management company.

Using this Financial 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, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

Statement of Net Assets

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

Table 1 provides a summary of the Academy's net assets for fiscal years 2010 and 2009:

TABLE 1

	June 30	
	2010	2009
Assets		
Current assets	$ 321,706	$ 331,339
Capital assets - Net	213,529	225,703
Total assets	535,235	557,042
Liabilities - Current liabilities	332,508	342,142
Net Assets		
Invested in capital assets	213,529	225,703
Unrestricted	(10,802)	(10,803)
Total net assets	**$ 202,727**	**$ 214,900**

Total assets decreased $21,807. This was due primarily to a decrease in cash by $89,698 from 2009 to 2010. Intergovernmental receivables increased by $58,036. This increase was due to the timing of the receipt of funding. Capital assets, net of depreciation, decreased by $12,174, due primarily to depreciation expense exceeding assets purchased.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009, as well as a listing of revenue and expenses.

TABLE 2

	Year Ended June 30	
	2010	2009
Operating Revenue		
Foundation payments	$ 936,957	$ 1,289,988
Poverty Based Assistance	228,986	248,366
Federal grants	79,879	-
Other	4,224	55,265
Nonoperating Revenue		
Federal grants	761,592	722,331
State grants	9,190	9,333
Total revenue	2,020,828	2,325,283

TABLE 2 (Continued)	Year Ended June 30	
	2010	2009
Operating Expenses		
Salaries	$ 622,635	$ 627,637
Fringe benefits	195,246	228,041
Purchased services	869,273	952,504
Property taxes	7,736	6,627
Materials and supplies	25,969	68,720
Interest	1,758	3,462
Depreciation (unallocated)	66,728	51,763
Other expenses	3,834	9,273
Nonoperating Expenses - Grant payments to other school districts	239,822	300,087
Total expenses	2,033,001	2,248,114
(Decrease) Increase in Net Assets	**$ (12,173)**	**$ 77,169**

Net assets decreased $12,173 from the prior year. This was due primarily to a decline in revenue; however, there was a similar decline in expenses. There was a decrease in revenue of $304,455 and a decrease in expenses of $215,113 from 2009 to 2010. Of the decrease in revenue, the foundation payments decreased by $353,031 and the Poverty Based Assistance decreased by $19,380. Community schools receive no support from tax revenue. The expense for salaries decreased by $5,002, and the expense for fringe benefits decreased by $32,795 from 2009 to 2010. This was due primarily to a decrease in staff in fiscal year 2010.

Purchased services decreased by $83,231 from 2009 to 2010 due primarily to the Academy's revised operating plan in the face of declining revenue. Materials and supplies expense decreased by $42,751 from 2009 to 2010, and depreciation expense increased by $14,965 from 2009 to 2010.

Capital Assets

At the end of fiscal year 2010, the Academy had $213,529 invested in leasehold improvements, library books, furniture, fixtures, and equipment (net of depreciation), which represents a decrease of $12,174 from 2009 to 2010. Table 3 shows the capital assets (net of depreciation) for fiscal years 2010 and 2009:

TABLE 3	2010	2009
Leasehold improvements	$ 164,997	$ 172,088
Library books	1,682	6,680
Furniture, fixtures, and equipment	46,850	46,935
Total capital assets	**$ 213,529**	**$ 225,703**

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

Current Financial Issues and Economic Factors

Lake Erie Academy was formed in 2001 under a contract with the Ohio Council of Community Schools. During the 2009-2010 school year, there were 128 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including Poverty Based Assistance) for fiscal year 2010 amounted to $1,165,943.

The State Foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 58 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on State funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

Contacting the School's Financial Management

This financial report is designed to provide the public with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, fiscal officer of Lake Erie Academy, at 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or by email at don.ash@leonagroup.com.

Statement of Net Assets
June 30, 2010

Assets	
Current assets:	
Cash (Note 3)	$ 148,783
Intergovernmental receivables (Note 4)	122,965
Prepaid expenses	49,958
Total current assets	321,706
Noncurrent assets - Depreciable capital assets - Net (Note 5)	213,529
Total assets	535,235
Liabilities - Current	
Accounts payable	49,906
Intergovernmental payables (Note 4)	12,745
Contracts payable (Note 13)	269,857
Total liabilities	332,508
Net Assets	
Invested in capital assets	213,529
Unrestricted	(10,802)
Total net assets	**$ 202,727**

Lake Erie Academy

Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2010

Operating Revenue	
Foundation payments	$ 936,957
Poverty Based Assistance	228,986
Federal grants - Unrestricted	79,879
Other revenue	4,224
Total operating revenue	1,250,046
Operating Expenses	
Salaries	622,635
Fringe benefits	195,246
Purchased services (Note 10)	869,273
Taxes	7,736
Materials and supplies	25,969
Depreciation (Note 5)	66,728
Other	3,834
Total operating expenses	1,791,421
Operating Loss	(541,375)
Nonoperating Revenue (Expenses)	
Federal grants	761,592
State grants	9,190
Grant payments to other school districts (Note 14)	(239,822)
Interest	(1,758)
Total nonoperating revenue	529,202
Change in Net Assets	(12,173)
Net Assets - Beginning of year	214,900
Net Assets - End of year	**$ 202,727**

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

Statement of Cash Flows
Year Ended June 30, 2010

Cash Flows from Operating Activities	
Received from foundation payments	$ 924,064
Received from Poverty Based Assistance	228,986
Received from federal grants	79,879
Received from other operating revenue	4,224
Payments to suppliers for goods and services	(968,560)
Payments to employees for services	(637,693)
Payments for employee benefits	(195,246)
Net cash used in operating activities	(564,346)
Cash Flows from Noncapital Financing Activities	
Proceeds from state aid note	125,000
Payments on state aid note	(125,000)
Interest expense	(1,758)
Federal grants received	761,592
Grant payments to other school districts	(239,822)
State grants received	9,190
Net cash provided by noncapital financing activities	529,202
Cash Flows from Capital and Related Financing Activities - Payments for capital acquisitions	(54,554)
Net Decrease in Cash	(89,698)
Cash - Beginning of year	238,481
Cash - End of year	**$ 148,783**

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

Statement of Cash Flows (Continued)
Year Ended June 30, 2010

Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$	(541,375)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		66,728
Changes in assets and liabilities:		
Increase in intergovernmental receivables		(58,036)
Increase in prepaid expenses		(22,029)
Increase in accounts payable		30,129
Decrease in intergovernmental payables		(9,184)
Decrease in contracts payable		(30,579)
Total adjustments		(22,971)
Net cash used in operating activities	**$**	**(564,346)**

Note 1 - Description of the Academy and Reporting Entity

Lake Erie Academy, Lucas County (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through fifth 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 has since been extended for a period of seven years through June 30, 2014. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2010 were $34,591.

The Academy operates under the direction of a five-member board of directors, which is also the governing board for another The Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by nine certificated full-time teaching personnel who provide services to 128 students.

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Academy's basic financial statements consist of a statement of net 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.

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 revenue, expenses, and changes in net assets presents increases (i.e., revenue) 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

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

Intergovernmental Receivables - Receivables at June 30, 2010 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 leasehold improvements 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 will also be capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to expense when incurred.

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

Leasehold improvements	5 years
Library books	6 years
Furniture, fixtures, and equipment	3-7 years

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Note 3 - Deposits

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk are used for the Academy's deposits; however, the Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As of June 30, 2010, FDIC insurance coverage limits were $250,000 for deposits at any one insured bank and savings association. At June 30, 2010, the Academy's deposit balance of $149,119 had no bank deposits (checking and savings accounts) that were uninsured or uncollateralized.

Note 4 - Receivables

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

State Aid Adjustment	$	12,895
Title I		23,972
Title I - American Recovery and Reinvestment Act		50,022
Title II-A		2,514
Title II-D		1,227
Title IV		922
IDEA, Part B		8,997
IDEA, Part B - American Recovery and Reinvestment Act		6,118
CNP Fresh Fruit and Vegetable Program		1,672
Mentoring		14,626
Total intergovernmental receivables		122,965
Receivable on behalf of subrecipient academies		12,745
Academy's net intergovernmental receivables	$	110,220

Note 5 - Capital Assets

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

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Business-type Activity				
Capital assets being depreciated:				
Leasehold improvements	$ 528,570	$ 32,590	$ -	$ 561,160
Library books	30,000	-	-	30,000
Furniture, fixtures, and equipment	190,999	21,964	(290)	212,673
Total capital assets being depreciated	749,569	54,554	(290)	803,833
Less accumulated depreciation:				
Leasehold improvements	356,482	39,681	-	396,163
Library books	23,320	4,998	-	28,318
Furniture, fixtures, and equipment	144,064	22,049	(290)	165,823
Total accumulated depreciation	523,866	66,728	(290)	590,304
Total capital assets being depreciated - Net	$ 225,703	$ (12,174)	$ -	$ 213,529

Note 6 - Risk Management

Property and Liability - The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the Academy contracted with Philadelphia Indemnity Insurance Company for general liability, property insurance, and educational errors and omissions insurance. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. Coverages are as follows:

Educational errors and omissions:	
Per occurrence	$ 8,000,000
Total per year	8,000,000
General liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

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

Note 7 - Defined Benefit Pension Plans

School Employees' Retirement System

Plan Description - The Academy contributes to the School Employees' Retirement System (SERS), a cost-sharing, multiple-employer pension plan. 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 may be obtained by writing to the School Employees' Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Note 7 - Defined Benefit Pension Plans (Continued)

Funding Policy - 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 healthcare benefits. For fiscal year 2010, 12.78 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 years ended June 30, 2010, 2009, and 2008 were $21,451, $12,039, and $11,798, respectively; 45 percent has been contributed for fiscal year 2010, 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

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

Note 7 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 CP offers features of both the DCP and the DBP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were $63,459, $84,925, and $63,228, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were $69,033 made by the Academy and $49,309 made by the plan members.

Note 8 - Postemployment Benefits

School Employees' Retirement System

Plan Description - The Academy participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees' Retirement System for classified retirees and their beneficiaries, 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 HMOs, PPOs, 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, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the healthcare benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For 2010, 0.46 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 fiscal year 2010, the surcharge amount was $2,204.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $772, $5,509, and $5,384, respectively; 45 percent has been contributed for fiscal year 2010, 100 percent for fiscal years 2009 and 2008.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,276, $993, and $850, respectively; 45 percent has been contributed for fiscal year 2010, 100 percent for fiscal years 2009 and 2008.

Note 8 - Postemployment Benefits (Continued)

State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the plan and gives the retirement board authority over how much, if any, of the healthcare 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 postemployment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $4,881, $6,533, and $4,864, respectively; 100 percent has been contributed for fiscal years 2010 and 2008, 90 percent for fiscal year 2009.

Note 9 - Contingencies

Grants - The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

Property Taxes - The Academy has applied for an exemption from general property taxes. As of June 30, 2010, the exemption has not been granted; yet management believes that the exemption will be granted. Therefore, the Academy has not paid its general property taxes for fiscal years 2007, 2008, 2009, and 2010 which total approximately $698,000.

Note 10 - Purchased Service Expenses

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

Repairs and maintenance	$ 14,733
Legal	2,053
Insurance	16,509
Advertising	9,316
Dues and fees	10,276
Ohio Council of Community Schools	34,591
Cleaning services	2,538
Utility	85,562
Management fees (Note 13)	209,687
Other professional services	235,611
Rent (Note 11)	248,397
Total purchased services	$ 869,273

Note 11 - Operating Leases

The Academy has entered into a lease for the period from July 1, 2003 through June 30, 2009, and 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. Lake Erie Villa, LLC is a related party. 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. The Academy paid Lake Erie Villa, LLC $240,000 during fiscal year 2010.

Note 12 - Subsequent Events

Subsequent to year end, the Academy borrowed $150,000 at a variable annual interest rate equal to the prime rate, adjusted monthly, on a state aid note. The note, plus interest, is due June 30, 2011.

Note 13 - Management Agreement

The Academy entered into a five-year contract, effective May 1, 2002 through June 30, 2007, with options for annual renewal with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. The management agreement was renewed effective July 13, 2007 for a period of seven years to continue through June 30, 2014. In exchange for its services, The Leona Group, LLC receives a capitation fee of the difference between total audited revenue less total expenditures, which is adjusted further for capital asset activity. The Academy incurred management fees of $209,687 for the year ended June 30, 2010. At June 30, 2010, contracts payable includes approximately $60,000 for reimbursement of subcontracted employees and other operating costs and $209,687 for management fees. Terms of the contracts require The Leona Group, LLC to provide the following:

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

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

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

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

Note 13 - Management Agreement (Continued)

For the year ended June 30, 2010, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:	
Salaries	$ 622,635
Fringe benefits	195,246
Professional and technical services	246,261
Other direct costs	10,927
Total expenses	$ 1,075,069

Note 14 - Fiscal Agent

The Academy serves as fiscal agent for the safe and drug-free schools - community service grants federal grant and the literacy and school libraries federal grant. As a fiscal agent, the Academy is responsible for drawing down federal funds and passing the funds to its subrecipients when expenditures are incurred. The amount of grant funds received by the Academy for the year ended June 30, 2010 was approximately $324,000. Of this amount, approximately $240,000 was passed to its subrecipients and approximately $84,000 was expended by the Academy on its own federal programs.

Lake Erie Academy

Federal Awards

Supplemental Information

June 30, 2010

Contents

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Lake Erie Academy

We have audited the basic financial statements of Lake Erie Academy as of and for the year ended June 30, 2010 and have issued our report thereon dated November 26, 2010. Those basic financial statements are the responsibility of the management of Lake Erie Academy. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lake Erie Academy taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 26, 2010

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

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*

To the Board of Directors
Lake Erie Academy

We have audited the financial statements of Lake Erie Academy as of and for the year ended June 30, 2010 and have issued our report thereon dated November 26, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Erie Academy's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, 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 Academy's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2010-01, that we consider to be a significant deficiency in internal control over financial reporting. 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.

To the Board of Directors
Lake Erie Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Erie Academy's financial statements are free of 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*.

Lake Erie Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lake Erie Academy's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the Academy, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 26, 2010

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Lake Erie Academy

Compliance

We have audited the compliance of Lake Erie Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The major federal programs of Lake Erie Academy are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Erie Academy's management. Our responsibility is to express an opinion on Lake Erie Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake Erie Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake Erie Academy's compliance with those requirements.

In our opinion, Lake Erie Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2010-02.

To the Board of Directors
Lake Erie Academy

Internal Control Over Compliance

The management of Lake Erie Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake Erie Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2010-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Lake Erie Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lake Erie Academy's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the Academy, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 26, 2010

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Clusters:							
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Ohio Department of Education:							
National School Breakfast Program	10.553	$ 14,605	$ -	$ -	$ 14,605	$ 14,605	$ -
National School Lunch Program	10.555	62,081	-	-	62,081	62,081	-
Total Child Nutrition Cluster		76,686	-	-	76,686	76,686	-
Special Education Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - Special Education - Grants to States (IDEA, Part B):							
IDEA, Part B	84.027	44,719	-	-	35,722	44,719	8,997
ARRA - IDEA, Part B, Recovery Act	84.391	51,061	-	-	26,641	32,759	6,118
Total Special Education Cluster		95,780	-	-	62,363	77,478	15,115
Title I, Part A Cluster - U.S. Department of Education - Passed through the Ohio Department of Education:							
Title I, Part A	84.010	195,943	19,740	-	146,775	151,007	23,972
Title I, School Improvement	84.010	50,269	12,610	-	12,610	-	-
ARRA - Title I Grants to Educational Agencies, Recovery Act	84.389	137,802	-	-	66,982	117,004	50,022
Total Title I, Part A Cluster		384,014	32,350	-	226,367	268,011	73,994

See Notes to Schedule of Expenditures of Federal Awards.

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Clusters (Continued):							
Education Technology State Grants Cluster -							
U.S. Department of Education -							
Passed through the Ohio Department of Education -							
Education Technology State Grants							
(Enhancing Education through Technology Program)	84.318	$ 3,022	$ -	$ -	$ 158	$ 1,385	$ 1,227
State Fiscal Stabilization Fund Cluster -							
U.S. Department of Education -							
Passed through the Ohio Department of Education -							
ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grants,							
Recovery Act (Education Stabilization Fund)	84.394	79,879	-	-	79,879	79,879	-
Total clusters		639,381	32,350	-	445,453	503,439	90,336
Other federal awards:							
U.S. Department of Education:							
Direct Programs:							
Safe and Drug Free Schools and Communities							
Award number Q184B070383	84.184B	996,422	30,159	-	339,522	323,989	14,626

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Other federal awards (Continued)							
U.S. Department of Education (Continued):							
Passed through the Ohio Department of Education:							
Fresh Fruit & Vegetable Program	10.582	$ 6,214	-	-	$ 4,542	$ 6,214	$ 1,672
Safe and Drug Free Schools and Communities	84.186	1,799	132	-	312	1,102	922
Title V	84.298	122	107	-	107	-	-
Improving Teacher Quality	84.367	6,777	2,113	-	6,326	6,727	2,514
Total noncluster programs passed through the Ohio Department of Education		14,912	2,352	-	11,287	14,043	5,108
Total federal awards		**$ 1,650,715**	**$ 64,861**	**$ -**	**$ 796,262**	**$ 841,471**	**$ 110,070**

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake Erie Academy under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Mentoring Program Grants -		
Passed through to:	84.184B	
Eagle Academy		$ 78,777
George A. Phillips Academy		51,760
Paul Laurence Dunbar Academy		84,251
Toledo Preparatory Academy		25,034
Total provided to subrecipients		$ 239,822

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified

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

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
	Title I, Part A Cluster:
84.010	Title I, Part A
84.389	ARRA - Title I Grants to Educational Agencies
84.184B	Mentoring Program

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

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

Section II - Financial Statement Audit Findings

Reference Number	Findings
2010-01	**Finding Type** - Significant deficiency

Criteria - The Academy is required to record revenue on the basic financial statements for federal grants which have valid expenditures and approved award amounts at year end, but for which funds were not received before year end.

Condition - The Academy expended available ARRA - Title I Grants to Educational Agencies grant funds during the year, but did not record revenue and the related accounts receivable for the total amount expended and earned as of June 30, 2010.

Context - An audit journal entry was proposed and recorded to increase revenue and accounts receivable by $21,964.

Cause - The Academy did not properly review the federal award expenditures at year end.

Effect - Prior to the adjustment being recorded, revenue and accounts receivable were understated by $21,964 at June 30, 2010.

Recommendation - The Academy should review qualifying grant expenditures in comparison to available federal funding in order to properly record grant revenue in the proper period.

Views of Responsible Officials and Planned Corrective Actions - Federal grant expenditures will be reviewed at year end to ensure that the necessary funds are drawn and recorded in a timely manner and in the proper period. We agree that the proper recognition of revenue for allowable expenditures is essential and every attempt is made to ensure accurate recording.

Section III - Federal Program Audit Findings

Reference Number	Findings
2010-02	**Program Name** - CFDA# 84.010 - Title I, CFDA# 84.389 - ARRA - Title I Grants to Educational Agencies

Pass-through Entity - U.S. Department of Education

Finding Type - Material noncompliance, significant deficiency

Criteria - The Academy should periodically conduct a physical inventory of equipment acquired under federal awards that is reconciled to the capital assets records.

Condition - The Academy has not conducted a physical inventory reconciled to the capital assets records.

Questioned Costs - None

Context - A full physical inventory with reconciliation to the capital assets records has not been conducted.

Effect - With the lack of a physical inventory, there is a possibility of actual capital assets not agreeing to the capital assets records.

Cause - Due to time constraints, the Academy has not performed a full physical inventory of its capital assets.

Recommendation - The Academy should implement a policy to ensure a physical inventory is performed periodically that includes a reconciliation of the physical inventory results to the capital assets records.

Views of Responsible Officials and Planned Corrective Actions - As stated above, time constraints have hindered the Academy's ability to perform a physical inventory. A physical inventory is being planned for the 2010-2011 school year and will be completed and asset records reconciled before fiscal year end.

Mary Taylor, CPA
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
JANUARY 18, 2011

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us