

**Lake Erie Academy
Lucas County**

**Financial Report
June 30, 2011**



Dave Yost • Auditor of State

Board of Directors
Lake Erie Academy
2740 W. Central Ave
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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 23, 2012

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Lake Erie Academy

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Independent Auditor's Report

To the Board of Directors
Lake Erie Academy

We have audited the accompanying basic financial statements of Lake Erie Academy (the "Academy") as of and for the year ended June 30, 2011, 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, 2011 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 October 21, 2011 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

October 21, 2011

Lake Erie Academy

Management's Discussion and Analysis

The management's discussion and analysis of Lake Erie Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. 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 (deficit) decreased \$525,215, which represents a 259.1 percent decrease from 2010. This was due in part to the Academy being declined for its filed property tax exemption with Lucas County, which resulted in a tax settlement expense of \$772,565 for the period ended June 30, 2011 and a tax settlement liability of \$566,548 as of June 30, 2011.
- Total assets decreased \$173,631, which represents a 32.4 percent decrease from 2010. This was due primarily to a decrease in cash.
- Liabilities increased \$351,584, which represents a 105.7 percent increase from 2010. This increase was due to property taxes owed to Lucas County.

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 (deficit), a statement of revenue, 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 2011?" 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.

Lake Erie Academy

Management's Discussion and Analysis (Continued)

Table I provides a summary of the Academy's net assets (deficit) for fiscal years 2011 and 2010:

Table I	June 30	
	2011	2010
Assets		
Current assets	\$ 168,926	\$ 321,706
Capital assets - Net	<u>192,678</u>	<u>213,529</u>
Total assets	361,604	535,235
Liabilities		
Current liabilities	241,154	332,508
Noncurrent liabilities	<u>442,938</u>	<u>-</u>
Total liabilities	<u>684,092</u>	<u>332,508</u>
Net Assets (Deficit)		
Invested in capital assets	192,678	213,529
Unrestricted	<u>(515,166)</u>	<u>(10,802)</u>
Total net assets (deficit)	<u>\$ (322,488)</u>	<u>\$ 202,727</u>

Total assets decreased \$173,631. This was due primarily to a decrease in cash of \$76,423 from 2010 to 2011. Intergovernmental receivables decreased by \$30,983. This decrease was due to the timing of the receipt of funding. Capital assets, net of depreciation, decreased by \$20,851, due primarily to depreciation expense exceeding assets purchased. Deposits decreased \$48,416.

Table 2 shows the changes in net assets (deficit) for fiscal years 2011 and 2010, as well as a listing of revenue and expenses.

Lake Erie Academy

Management's Discussion and Analysis (Continued)

Table 2

	Year Ended June 30	
	2011	2010
Operating Revenue		
Foundation payments	\$ 1,274,237	\$ 936,957
Poverty-based assistance	263,494	228,986
Federal grants	130,975	79,879
Other	13,945	4,224
Nonoperating Revenue		
Federal grants	588,976	761,592
State grants	7,390	9,190
Total revenue	2,279,017	2,020,828
Operating Expenses		
Salaries	798,293	622,635
Fringe benefits	251,399	195,246
Purchased services	722,691	869,273
Property taxes	834,914	7,736
Materials and supplies	41,302	25,969
Depreciation (unallocated)	68,238	66,728
Other expenses	3,504	3,834
Nonoperating Expenses		
Interest	2,448	1,758
Grant payments to other school districts	81,443	239,822
Total expenses	2,804,232	2,033,001
Decrease in Net Assets (Deficit)	\$ (525,215)	\$ (12,173)

Net assets (deficit) decreased \$525,215 from the prior year. This was due primarily to a tax settlement in the current year, increasing expenses \$772,565. The notes to the financial statements provide information about management's plans to decrease the net asset deficit. There was an increase in revenue of \$258,189 and an increase in expenses of \$771,231 from 2010 to 2011. Of the increase in revenue, the foundation payments increased by \$337,280. Community schools receive no support from tax revenue. The expense for salaries increased by \$175,658 and the expense for fringe benefits increased by \$56,153 from 2010 to 2011. This was due primarily to an increase in staff in fiscal year 2011.

Lake Erie Academy

Management's Discussion and Analysis (Continued)

Purchased services decreased by \$146,582 from 2010 to 2011 due primarily to the Academy's revised operating plan in the face of the potential of declining revenue. Materials and supplies expense increased by \$15,333 from 2010 to 2011, and depreciation expense increased by \$1,510 from 2010 to 2011. Property tax expense increased \$827,178 as a result of the ruling that the Academy did not qualify as exempt and is now required to pay current as well as prior-year taxes.

Capital Assets

At the end of fiscal year 2011, the Academy had \$192,678 invested in leasehold improvements, library books, furniture, fixtures, and equipment (net of depreciation), which represents a decrease of \$20,851 from 2010 to 2011. Table 3 shows the capital assets (net of depreciation) for fiscal years 2011 and 2010:

Table 3	2011	2010
Leasehold improvements	\$ 135,006	\$ 164,997
Library books	-	1,682
Furniture, fixtures, and equipment	57,672	46,850
Total capital assets	<u>\$ 192,678</u>	<u>\$ 213,529</u>

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 2010-2011 school year, there were 171 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including poverty-based assistance) for fiscal year 2011 amounted to \$1,537,731.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 67 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue.

Lake Erie Academy

Management's Discussion and Analysis (Continued)

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.

Lake Erie Academy

Statement of Net Assets (Deficit) June 30, 2011

Assets

Current assets:

Cash (Note 3)	\$ 72,360
Accounts receivable	3,042
Intergovernmental receivables (Note 4)	91,982
Prepaid expenses	<u>1,542</u>

Total current assets 168,926

Noncurrent assets - Depreciable capital assets - Net (Note 5) 192,678

Total assets 361,604

Liabilities

Current liabilities:

Accounts payable	3,187
Intergovernmental payables (Note 6)	139,627
Contracts payable (Note 14)	<u>98,340</u>

Total current liabilities 241,154

Noncurrent liabilities - Delinquent property taxes payable (Note 6) 442,938

Total liabilities 684,092

Net Assets (Deficit)

Invested in capital assets	192,678
Unrestricted	<u>(515,166)</u>

Total net assets (deficit) \$ (322,488)

Lake Erie Academy

Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Year Ended June 30, 2011

Operating Revenue	
Foundation payments	\$ 1,274,237
Poverty-based assistance	263,494
Federal grants - Unrestricted	130,975
Other revenue	<u>13,945</u>
Total operating revenue	1,682,651
Operating Expenses	
Salaries	798,293
Fringe benefits	251,399
Purchased services (Note 11)	722,691
Taxes (Note 6)	834,914
Materials and supplies	41,302
Depreciation (Note 5)	68,238
Other	<u>3,504</u>
Total operating expenses	<u>2,720,341</u>
Operating Loss	(1,037,690)
Nonoperating Revenue (Expenses)	
Federal grants	588,976
State grants	7,390
Grant payments to other school districts (Note 15)	(81,443)
Interest	<u>(2,448)</u>
Total nonoperating revenue	<u>512,475</u>
Change in Net Assets	(525,215)
Net Assets - Beginning of year	<u>202,727</u>
Net Deficit - End of year	<u><u>\$ (322,488)</u></u>

Lake Erie Academy

Statement of Cash Flows Year Ended June 30, 2011

Cash Flows from Operating Activities

Received from foundation payments	\$ 1,274,237
Received from poverty-based assistance	263,494
Received from federal grants	130,975
Received from other operating revenue	13,945
Payments to suppliers for goods and services	(759,670)
Payments to employees for services	(1,213,093)
Payments for employee benefits	<u>(251,399)</u>
Net cash used in operating activities	(541,511)

Cash Flows from Noncapital Financing Activities

Proceeds from state aid note	150,000
Payments on state aid note	(150,000)
Interest expense	(2,448)
Federal grants received	588,976
Grant payments to other school districts	(81,443)
State grants received	<u>7,390</u>
Net cash provided by noncapital financing activities	512,475

Cash Flows from Capital and Related Financing Activities - Payments for capital acquisitions

	<u>(47,387)</u>
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Net Decrease in Cash (76,423)

Cash - Beginning of year 148,783

Cash - End of year \$ 72,360

Lake Erie Academy

Statement of Cash Flows (Continued) Year Ended June 30, 2011

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (1,037,690)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	68,238
Changes in assets and liabilities:	
Increase in accounts receivable	(3,042)
Decrease in intergovernmental receivables	30,983
Decrease in deposits	48,416
Decrease in accounts payable	(46,719)
Increase in intergovernmental payables	569,820
Decrease in contracts payable	<u>(171,517)</u>
Total adjustments	<u>496,179</u>
Net cash used in operating activities	<u><u>\$ (541,511)</u></u>

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, 2011 were \$46,519.

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 14 certified full-time teaching personnel who provide services to 171 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 14).

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 (deficit), a statement of revenue, expenses, and changes in net assets (deficit), and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net deficit, 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 (deficit). The statement of revenue, expenses, and changes in net assets (deficit) 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.

Receivable and Payables - Receivables at June 30, 2011 consisted of intergovernmental receivables and immaterial miscellaneous receivables. All receivables are considered collectible in full and will be received within one year. Intergovernmental payables, both current and long-term obligations, are reported as liabilities in the statement of net assets (deficit).

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond June 30, 2011 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. 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	4-5 years
Library books	6 years
Furniture, fixtures, and equipment	3-7 years

Net Assets (Deficit) - Net assets (deficit) 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.

Lake Erie Academy

Notes to Financial Statements June 30, 2011

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 sometimes impractical to insure all deposits. As of June 30, 2011, FDIC insurance coverage limits were \$250,000 for deposits at any one insured bank and savings association. At June 30, 2011, the Academy's deposit balance of \$82,526 had no bank deposits (checking and savings accounts) that were uninsured or uncollateralized.

Note 4 - Intergovernmental Receivables

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

Title I	\$	47,052
Title IA		22,076
Title II-A		1,029
Title II-D		543
IDEA, Part B		8,457
National School Lunch Program		12,554
Race to the Top		271
Total intergovernmental receivables	\$	<u>91,982</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Business-type Activities				
Capital assets being depreciated:				
Leasehold improvements	\$ 561,160	\$ 11,435	\$ -	\$ 572,595
Library books	30,000	-	-	30,000
Furniture, fixtures, and equipment	<u>212,673</u>	<u>35,952</u>	<u>(11,408)</u>	<u>237,217</u>
Total capital assets being depreciated	803,833	47,387	(11,408)	839,812
Less accumulated depreciation:				
Leasehold improvements	396,163	41,426	-	437,589
Library books	28,318	1,682	-	30,000
Furniture, fixtures, and equipment	<u>165,823</u>	<u>25,130</u>	<u>(11,408)</u>	<u>179,545</u>
Total accumulated depreciation	<u>590,304</u>	<u>68,238</u>	<u>(11,408)</u>	<u>647,134</u>
Total capital assets being depreciated - Net	<u>\$ 213,529</u>	<u>\$ (20,851)</u>	<u>\$ -</u>	<u>\$ 192,678</u>

Note 6 - Intergovernmental Payables

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

STRS/SERS	\$ 16,017
Current portion of tax settlement payable	123,610
Noncurrent portion of tax settlement payable	<u>442,938</u>
Total intergovernmental payables	<u>\$ 582,565</u>

The Academy was denied its application for an exemption from general property taxes during the 2011 fiscal year. The Academy had not paid its general property taxes for fiscal years 2007, 2008, 2009, and 2010 in anticipation of receiving an exemption. The Academy entered into a payment agreement with Lucas County to pay this tax settlement due of \$772,565 over the next five years, after a 20 percent downpayment of \$154,513. The monthly payment due for the tax settlement is \$10,301 commencing in February 2011. The Academy recorded the tax settlement as property tax expense of \$772,565 during the year ended June 30, 2011 and the Academy has an intergovernmental payable of \$566,548 at June 30, 2011.

Note 7 - Risk Management

Property and Liability - The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, 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 8 - 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 8 - 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 2011, 11.81 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, 2011, 2010, and 2009 were \$29,841, \$21,451, and \$12,039, respectively; 78 percent has been contributed for fiscal year 2011, 45 percent for fiscal year 2010, and 100 percent for fiscal year 2009.

State Teachers Retirement System

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

Note 8 - 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, 2011, 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, 2011, 2010, and 2009 were \$80,474, \$63,459, and \$84,925, respectively; 94 percent has been contributed for fiscal year 2011, and 100 percent has been contributed for fiscal years 2010 and 2009. Contributions to the DC and combined plans for fiscal year 2011 were \$86,664 made by the Academy and \$61,903 made by the plan members.

Note 9 - Postemployment Benefits

School Employees' Retirement System

Plan Description - The Academy participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees' Retirement System for classified retirees and their beneficiaries: a healthcare plan and a Medicare Part B plan. The healthcare 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 2011, 1.43 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 2011, the surcharge amount was \$3,033.

Active employee members do not contribute to the healthcare 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, 2011, 2010, and 2009 were \$3,613, \$772, and \$5,509, respectively; 78 percent has been contributed for fiscal year 2011, 45 percent for fiscal year 2010, and 100 percent for fiscal year 2009.

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 2011, 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, 2011, 2010, and 2009 were \$1,920, \$1,276, and \$993, respectively; 78 percent has been contributed for fiscal year 2011, 45 percent for fiscal year 2010, and 100 percent for fiscal year 2009.

Note 9 - 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's required contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,190, \$4,881, and \$6,533, respectively; 94 percent has been contributed for fiscal year 2011, 100 percent has been contributed for fiscal year 2010, and 90 percent for fiscal year 2009.

Note 10 - Contingencies

Grants - The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2011.

State Funding - 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 to the State, upon which the state foundation funding is calculated. For the 2011 fiscal year, the results of this review are not yet concluded. However, in the opinion of management, any changes to enrollment data will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

Lake Erie Academy

Notes to Financial Statements June 30, 2011

Note 11 - Purchased Service Expenses

For the year ended June 30, 2011, purchased service expenses were payments for services rendered by various vendors as follows:

Repairs and maintenance	\$	25,902
Legal		938
Insurance		17,323
Advertising		4,702
Dues and fees		15,228
Ohio Council of Community Schools		46,519
Cleaning services		2,691
Utility		87,825
Other professional services		277,339
Rent (Note 12)		<u>244,224</u>
Total purchased services	\$	<u>722,691</u>

Note 12 - Operating Leases

The Academy has entered into a lease for the period from July 1, 2003 through June 30, 2009, which was extended during 2010 through June 30, 2014, with Lake Erie Villa, LLC for the use of the main building, gymnasium, and grounds as a school facility. 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 2011.

Note 13 - Subsequent Events

Subsequent to year end, the Academy borrowed \$175,000 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, 2012.

Note 14 - 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 no management fees for the year ended June 30, 2011. At June 30, 2011, contracts payable include approximately \$98,000 for reimbursement of subcontracted employees and other operating costs. 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 14 - Management Agreement (Continued)

For the year ended June 30, 2011, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:

Salaries	\$ 798,293
Fringe benefits	251,399
Professional and technical services	35,712
Other direct costs	<u>22,747</u>
Total expenses	<u>\$ 1,108,151</u>

Note 15 - Fiscal Agent

The Academy serves as fiscal agent for the safe and drug-free schools - community service grants 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, 2011 was approximately \$152,000. Of this amount, approximately \$81,000 was passed to its subrecipients and approximately \$71,000 was expended by the Academy on its own federal programs.

Note 16 - Management's Plans

As discussed in Note 6, the Academy was denied its application for an exemption from general property taxes during the 2011 fiscal year. As such, the Academy was party to a tax settlement agreement for which the Academy incurred \$772,565 of tax expense payable to Lucas County over the next five years. This expense resulted in decreasing the Academy's net assets (deficit) to a deficit position for the year ended June 30, 2011.

The Academy has developed a five-year forecast approved by the board which forecasts sufficient cash flows to fund operations including scheduled tax settlement payments over the next five years. The Academy has also adopted a budget resulting in an increase to the net assets (deficit) of the Academy for the 2012 fiscal year. The Academy will continue to actively monitor and control the expenditures of the Academy to achieve a positive operating position and net asset balance for the Academy.

Note 17 - Upcoming Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the Academy's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets (deficit). This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet.

Lake Erie Academy

**Federal Awards
Supplemental Information
June 30, 2011**

Lake Erie Academy

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Independent Auditor's Report

To the Board of Directors
Lake Erie Academy

We have audited the basic financial statements of Lake Erie Academy (the "Academy") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 21, 2011. 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

October 21, 2011

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 (the "Academy") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 21, 2011. 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.

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*.

To the Board of Directors
Lake Erie Academy

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 & Morse, PLLC

October 21, 2011

Report on Compliance with Requirements That Could Have a Direct and
Material Effect on 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 (the "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, 2011. 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, 2011.

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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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.

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

October 21, 2011

Lake Erie Academy

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Clusters:						
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Ohio Department of Education:						
National School Breakfast Program	10.553	\$ 23,933	\$ -	\$ 20,701	\$ 23,933	\$ 3,232
National School Lunch Program	10.555	72,302	-	62,979	72,302	9,323
Total Child Nutrition Cluster		96,235	-	83,680	96,235	12,555
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 - 2010-11	84.027	40,077	-	29,645	38,101	8,456
IDEA, Part B - 2009-10		44,719	8,997	8,997		-
ARRA - IDEA, Part B, Recovery Act - 2010-11	84.391	17,058	-	17,058	17,058	-
ARRA - IDEA, Part B, Recovery Act - 2009-10		51,061	6,118	7,362	1,244	-
Total Special Education Cluster		152,915	15,115	63,062	56,403	8,456
Title I, Part A Cluster - U.S. Department of Education - Passed through the Ohio Department of Education:						
Title I, Part A - 2010-11	84.010	262,942	-	182,229	251,357	69,128
Title I, Part A - 2009-10		195,943	23,972	24,060	88	-
ARRA - Title I Grants to Educational Agencies Recovery Act - 2010-11	84.389	19,992	-	19,192	19,192	-
ARRA - Title I Grants to Educational Agencies Recovery Act - 2009-10		137,802	50,022	50,828	806	-
Total Title I, Part A Cluster		616,679	73,994	276,309	271,443	69,128
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	2,299	1,227	1,284	600	543
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	130,975	-	130,975	130,975	-
Total clusters		999,103	90,336	555,310	555,656	90,682

See Notes to Schedule of Expenditures
of Federal Awards.

Lake Erie Academy

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Other federal awards:						
U.S. Department of Education:						
Direct programs:						
Safe and Drug-free Schools and Communities - Award number Q184B070383	84.184B	\$ 996,422	\$ 14,626	\$ 166,549	\$ 151,923	\$ -
Race to the Top - Early Learning Challenge	84.412	97,596	-	-	271	271
Total noncluster direct programs		1,094,018	14,626	166,549	152,194	271
Passed through the Ohio Department of Education:						
Fresh Fruit and Vegetable Program	10.582	6,237	1,672	7,909	6,237	-
Safe and Drug-free Schools and Communities	84.186	697	922	1,549	627	-
Improving Teacher Quality	84.367	8,537	2,514	6,722	5,237	1,029
Total noncluster programs passed through the Ohio Department of Education		15,471	5,108	16,180	12,101	1,029
Total federal awards		\$ 2,108,592	\$ 110,070	\$ 738,039	\$ 719,951	\$ 91,982

Lake Erie Academy

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake Erie Academy under programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Lake Erie Academy, it is not intended to and does not present the financial position, changes in net assets (deficit), or cash flows, if applicable, of Lake Erie 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:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Mentoring program grants - Passed through to:	84.184B	
Eagle Academy		\$ 48,203
George A. Phillips Academy		6,451
Paul Laurence Dunbar Academy		(578)
Northpointe Academy		27,367
		<u>27,367</u>
Total		<u>\$ 81,443</u>

Lake Erie Academy

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

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? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Numbers	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
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act (Education Stabilization Fund)

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

Auditee qualified as low-risk auditee? _____ Yes X No

Lake Erie Academy

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Lake Erie Academy

Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

Prior Year Finding Number	Federal Program	Status
2010-01	Title I, Part A Cluster - CFDA #84.010, 84.389	Federal grant funds are reviewed at year end to ensure that grant draws are done in a timely manner and recorded properly for allowable expenditures. The finding was fully corrected.
2010-02	Title I, Part A Cluster - CFDA #84.010, 84.389	A physical inventory was completed and fixed asset records reconciled during the 2010-2011 school year. The finding was fully corrected.

Independent Accountant's Report on
Applying Agreed-upon Procedures

To the Board of Directors
Lake Erie Academy
Lucas County
2740 W. Central Ave.
Toledo, OH 43606

Dear Board Members:

Ohio Rev. Code Section 117.53 states "the Auditor of State shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the board, solely to assist the board in evaluating whether Lake Erie Academy has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

- I. We noted that the board amended its anti-harassment policy at its meeting on May 13, 2010 to include violence within a dating relationship within its definition of harassment, intimidation, or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board and Lake Erie Academy's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 6, 2012

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Dave Yost • Auditor of State

LAKE ERIE ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2012