Lake Erie Academy
Lucas County

Financial Report

June 30, 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
Lake Erie Academy
4660 S. Hagadorn Road, Suite 500
East Lansing, Michigan 48823

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, 2007 through June 30, 2008. 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

April 6, 2009

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plante moran

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 accompanying basic financial statements of Lake Erie Academy as of and for the year ended June 30, 2008, 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, 2008 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 January 16, 2009 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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

January 16, 2009

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, 2008. 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 Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased $30,028, which represents an 18 percent decrease from 2007. This was due primarily to a decrease in revenue without a corresponding decrease in operating expenses.
- Total assets increased $52,340, which represents an 18 percent increase from 2007. This was due primarily to a decrease in overall cash levels and depreciation of capital assets.
- Liabilities increased $82,368, which represents a 69 percent increase from 2007. This increase was due to a significant decrease in contracts payable.

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 revenues, 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 2008?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all revenues 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 2008 and 2007:

TABLE 1	June 30	
	2008	2007
Assets		
Current assets	$ 211,545	$ 76,259
Capital assets - Net	128,384	211,330
Total assets	339,929	287,589
Liabilities - Current liabilities	202,198	119,830
Net Assets		
Invested in capital assets	128,384	211,330
Unrestricted	9,347	(43,571)
Total net assets	**$ 137,731**	**$ 167,759**

Total assets increased $52,340. This was due primarily to a decrease in cash, intergovernmental receivables, and capital assets. Cash increased by $41,290 from 2007 to 2008. Intergovernmental receivables increased by $87,333. This increase was due to the timing of the receipt of funding. Capital assets, net of depreciation, decreased by $82,946, due primarily to the depreciation of leasehold improvements, library books, furniture, fixtures, and equipment.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007, as well as a listing of revenues and expenses.

TABLE 2	Year Ended June 30	
	2008	2007
Operating Revenues		
Foundation payments	$ 960,744	$ 1,265,811
Poverty Based Assistance	169,317	156,905
Other	2,830	2,972
Nonoperating Revenues		
Federal grants	611,683	331,874
State grants	10,570	11,627
Total revenues	1,755,144	1,769,189
Operating Expenses		
Salaries	498,088	658,782
Fringe benefits	159,020	211,515
Purchased services	700,302	787,754
Property taxes	6,616	4,359
Materials and supplies	43,155	15,997
Interest	4,212	-
Depreciation (unallocated)	92,268	160,936
Other expenses	6,022	3,911
Nonoperating Expenses		
Grant payments to other school districts	274,541	-
Federal and state taxes	948	77,750
Total expenses	1,785,172	1,921,004
Decrease in Net Assets	**$ (30,028)**	**$ (151,815)**

Net assets decreased $30,028 from the prior year. This was due primarily to a decrease in revenue without a corresponding decrease in operating expenses. There was a decrease in revenues of $14,045 and a decrease in expenses of $135,832 from 2007 to 2008. Of the decrease in revenues, the foundation payments decreased by $305,067 and the Disadvantaged Pupil Impact Aid increased by $12,412. Community schools receive no support from tax revenues.

The expense for salaries decreased by $160,694 and the expense for fringe benefits decreased by $52,495 from 2007 to 2008. This was due primarily to a decrease in staff during fiscal year 2007. Purchased services decreased by $87,452 from 2007 to 2008 due primarily to the lack of management fees in 2007. Materials and supplies expense increased by $27,158 from 2007 to 2008, and depreciation expense decreased by $68,668 from 2007 to 2008.

Capital Assets

At the end of fiscal year 2008, the Academy had $128,384 invested in leasehold improvements, library books, furniture, fixtures, and equipment (net of depreciation), which represents a decrease of $82,946 from 2007 to 2008. Table 3 shows the capital assets (net of depreciation) for fiscal years 2008 and 2007:

TABLE 3	2008	2007
Leasehold improvements	$ 65,088	$ 131,319
Library books	11,678	16,690
Furniture, fixtures, and equipment	51,618	63,321
Total capital assets	**$ 128,384**	**$ 211,330**

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

Current Financial Issues

Lake Erie Academy was formed in 2001 under a contract with the Ohio Council of Community Schools. During the 2007-2008 school year, there were 136 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including Poverty Based Assistance) for fiscal year 2008 amounted to $1,130,061.

Contacting the School's Financial Management

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

Statement of Net Assets
June 30, 2008

Assets	
Current assets:	
Cash (Note 3)	$ 65,708
Intergovernmental receivables (Note 4)	125,361
Prepaid expenses	20,476
Total current assets	211,545
Noncurrent assets - Depreciable capital assets - Net (Note 5)	128,384
Total assets	339,929
Liabilities - Current	
Accounts payable	42,551
Intergovernmental payables	70,065
Contracts payable (Note 13)	64,485
State aid note payable	25,000
Deferred revenue	97
Total liabilities	202,198
Net Assets	
Invested in capital assets	128,384
Unrestricted	9,347
Total net assets	**$ 137,731**

Lake Erie Academy
Lucas County

Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2008

Operating Revenues	
Foundation payments	$ 960,744
Poverty Based Assistance	169,317
Other revenues	2,830
Total operating revenues	1,132,891
Operating Expenses	
Salaries	498,088
Fringe benefits	159,020
Purchased services (Note 10)	700,302
Property taxes	6,616
Materials and supplies	43,155
Depreciation (Note 5)	92,268
Other	6,022
Total operating expenses	1,505,471
Operating Loss	(372,580)
Nonoperating Revenues (Expenses)	
Federal grants	611,683
State grants	10,570
Federal and state taxes	(948)
Grant payments to other school districts (Note 14)	(274,541)
Interest	(4,212)
Total nonoperating revenues	342,552
Change in Net Assets	(30,028)
Net Assets - Beginning of year	167,759
Net Assets - End of year	**$ 137,731**

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

Lake Erie Academy
Lucas County

Statement of Cash Flows
Year Ended June 30, 2008

Cash Flows from Operating Activities	
Received from foundation payments	$ 960,744
Received from Poverty Based Assistance	169,317
Received from other operating revenues	4,334
Payments to suppliers for goods and services	(775,683)
Payments to employees for services	(516,736)
Payments for employee benefits	(159,020)
Net cash used in operating activities	(317,044)
Cash Flows from Noncapital Financing Activities	
Proceeds from state aid note, net of repayments	25,104
Interest expense	(4,212)
Federal grants received	611,683
Grant payments to other school districts	(274,541)
State grants received	10,570
Federal and state taxes	(948)
Net cash provided by noncapital financing activities	367,656
Cash Flows from Capital Activities - Payments for capital acquisitions	(9,322)
Net Increase in Cash	41,290
Cash - Beginning of year	24,418
Cash - End of year	**$ 65,708**

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

Statement of Cash Flows (Continued)
Year Ended June 30, 2008

Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$	(372,580)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		92,268
Changes in assets and liabilities:		
Increase in intergovernmental receivables		(87,333)
Increase in prepaid expenses		(6,663)
Decrease in deferred revenue		(2,109)
Increase in accounts payable		31,852
Increase in intergovernmental payables		70,065
Decrease in contracts payable		(42,544)
Total adjustments		55,536
Net cash used in operating activities	**$**	**(317,044)**

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 grades kindergarten through eighth. 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, 2008 were approximately $34,000.

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 seven certificated full-time teaching personnel who provide services to 136 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of 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 revenues 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., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

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, 2008 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, 2008 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 Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues 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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Tax Status - The Academy is not tax exempt under §501(c)(3) of the Internal Revenue Code. The Academy has prepared tax returns for fiscal year 2007 and has filed for an extension for fiscal year 2008. Amounts owed to the IRS and State of Ohio at June 30, 2008 are reported on the statement of net assets as taxes payable, if significant.

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 risk are used for the Academy's deposits. At year end, the Academy's deposit balance of $74,698 was entirely insured. The Academy believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Receivables

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

Title I	$ 11,129
Title V	421
Special education	11,396
Mentoring	21,744
Library	80,671
Total intergovernmental receivables	125,361
Receivable on behalf of subrecipient academies	70,065
Academy's total intergovernmental receivables	$ 55,296

Note 5 - Capital Assets

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

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Business-type Activity				
Capital assets being depreciated:				
Leasehold improvements	$ 393,473	$ -	$ -	$ 393,473
Library books	30,000	-	-	30,000
Furniture, fixtures, and equipment	168,127	9,322	(435)	177,014
Total capital assets being depreciated	591,600	9,322	(435)	600,487
Less accumulated depreciation:				
Leasehold improvements	262,154	66,231	-	328,385
Library books	13,310	5,012	-	18,322
Furniture, fixtures, and equipment	104,806	21,025	(435)	125,396
Total accumulated depreciation	380,270	92,268	(435)	472,103
Total capital assets being depreciated - Net	$ 211,330	$ (82,946)	$ -	$ 128,384

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 2008, the Academy contracted with Lexington 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

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 includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees' Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Note 7 - Defined Benefit Pension Plans (Continued)

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' retirement board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were $11,798, $12,684, and $16,095, respectively; 42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

State Teachers Retirement System

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.

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

Note 7 - Defined Benefit Pension Plans (Continued)

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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, 2008, 2007, and 2006 were $63,228, $71,455, and $89,345, respectively; 87 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $58,413 made by the Academy and $41,724 made by the plan members.

Note 8 - Postemployment Benefits

School Employees' Retirement System

The Academy participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees' Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including 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.

Note 8 - Postemployment Benefits (Continued)

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 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $5,384.

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, 2008, 2007, and 2006 were $5,384, $5,377, and $983, respectively; 42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $850, $120, and $113, respectively; 42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

State Teachers Retirement System

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

Note 8 - Postemployment Benefits (Continued)

Ohio law authorizes STRS Ohio to offer the plan and gives the retirement board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $4,864, $3,943, and $6,873, respectively; 87 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2008.

State Funding - The Ohio Department of Education reviews enrollment data and full-time equivalency (FTE) calculations made by schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2008, the results of this review are not 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, 2008.

Property Taxes - The Academy has applied for an exemption from general property taxes. As of June 30, 2008, 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 and 2008, which total approximately $414,000.

Note 10 - Purchased Service Expenses

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

Repairs and maintenance	$ 51,196
Legal	10,312
Insurance	23,052
Advertising	10,203
Dues and fees	7,954
Ohio Council of Community Schools	33,902
Cleaning services	3,447
Utility	117,238
Other professional services	195,007
Rent (Note 11)	247,991
Total purchased services	$ 700,302

Note 11 - Operating Leases

The Academy has entered into a lease for the period from July 1, 2003 through July 15, 2009 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, as disclosed in Note 12. Payments made totaled $240,000 for the fiscal year. 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 2008.

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

Fiscal Year Ending June 30	Amount
2009	$ 240,000

Note 12 - Subsequent Events

Subsequent to year end, the Academy borrowed $200,000 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, 2009.

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 revenues less total expenditures, which is adjusted further for capital asset activity. The Academy incurred no management fees for the year ended June 30, 2008. At June 30, 2008, contracts payable includes approximately $64,000 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.

Note 13 - Management Agreement (Continued)

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.

For the year ended June 30, 2008, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:	
Salaries	$ 498,088
Fringe benefits	159,020
Professional and technical services	72,441
Other direct costs	10,217
Total expenses	$ 739,766

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, 2008 was approximately $389,000. Of this amount, approximately $274,000 was passed to its subrecipients and approximately $115,000 was expended by the Academy on its own federal programs.

Lake Erie Academy

Federal Awards
Supplemental Information
June 30, 2008

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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 basic financial statements of Lake Erie Academy as of and for the year ended June 30, 2008 and have issued our report thereon dated January 16, 2009. Those basic financial statements are the responsibility of the management of Lake Erie Academy. Our responsibility was to express an opinion on those 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 financial statements that collectively comprise Lake Erie Academy's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules have 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

January 16, 2009

Plante & Moran, PLLC
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 basic financial statements of Lake Erie Academy as of and for the year ended June 30, 2008 and have issued our report thereon dated January 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Lake Erie Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Erie Academy internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiencies described in the accompanying schedule of findings and questioned costs as items 08-01 and 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiencies described in the schedule of findings and questioned costs as items 08-01 and 08-02 constitute material weaknesses.

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 certain matters that we reported to the management of Lake Erie Academy in a separate letter dated January 16, 2009.

Lake Erie Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, 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

January 16, 2009

plante moran

Plante & Moran, PLLC
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 are applicable to each of its major federal programs for the year ended June 30, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-04 and 08-05.

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 the 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 the 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, 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 entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-04 and 08-05 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Lake Erie Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, 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

January 16, 2009

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Clusters:						
Child Nutrition Cluster - U.S. Department of Agriculture -						
Passed through the Ohio Department of Education:						
National School Breakfast Program	10.553	$ 13,270	$ 2,073	$ 15,343	13,270	$ -
National School Lunch Program	10.555	54,477	9,742	64,219	54,477	-
Total Child Nutrition Cluster		67,747	11,815	79,562	67,747	-
Special Education Cluster - U.S. Department of Education -						
Passed through the Ohio Department of Education -						
IDEA:						
Special Education, Part B	84.027	58,781	7,967	51,425	54,854	11,396
Early Childhood Special Education	84.173	580	-	97	-	(97)
Total IDEA		59,361	7,967	51,522	54,854	11,299
Total Clusters		127,108	19,782	131,084	122,601	11,299

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other Federal Awards:						
U.S. Department of Education:						
Direct Programs:						
Mentoring Program Grants -	84.184B					
Award number: Q184B070383		$ 349,908	$ -	$ 174,623	$ 196,367	$ 21,744
Literacy & School Libraries Program -	84.364A					
Award number: S364A070324		282,303	-	112,417	193,088	80,671
Total Noncluster Direct Programs		632,211	-	287,040	389,455	102,415
Passed through the Ohio Department of Education:						
Title I	84.010	107,353	12,672	93,975	92,431	11,128
Safe and Drug-free Schools and Communities	84.186	3,861	1,762	3,235	1,473	-
Title V	84.298	466	-	29	450	421

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other Federal Awards (Continued):						
U.S. Department of Education (Continued):						
Passed through the Ohio Department of Education (Continued):						
Title IID - Technology Literacy Challenge Grants	84.318	$ 2,651	$ -	$ 879	$ 879	$ -
Improving Teacher Quality	84.367	4,952	200	4,594	4,394	-
Total U.S. Department of Education noncluster programs		751,494	14,634	389,752	489,082	113,964
U.S. Department of Agriculture - Passed through the Ohio Department of Education - Food Distribution - Entitlement commodities - 2007-2008	10.550	5,775	-	767	767	-
Total Federal Awards		**$ 884,377**	**$ 34,416**	**$ 521,603**	**$ 612,450**	**$ 125,263**

See Notes to Schedule of Expenditures of Federal Awards.

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Revenue from federal sources - As reported on financial statements (includes all funds)	$ 611,683
Add commodities revenue not reported on financial statements	767
Federal expenditures per the schedule of expenditures of federal awards	**$ 612,450**

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lake Erie Academy (the "Academy") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 3 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Outstanding
Mentoring Program Grants -		
Passed through to:	84.184B	
Eagle Academy		$ 51,782
Paul Laurence Dunbar Academy		49,543
Toledo Preparatory Academy		36,041
Total provided to subrecipients		$ 137,366
Literacy & School Libraries		
Program Grants - Passed through to:	84.364A	
Eagle Academy		$ 58,600
George A. Philips Academy		52,241
Paul Laurence Dunbar Academy		26,334
Total provided to subrecipients		$ 137,175

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? __X__ Yes ____ 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 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
84.010	Title I
84.184B	Mentoring Program
84.027	IDEA

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
08-01	**Finding Type** - Material weakness

Criteria - In accordance with accounting principles generally accepted in the United States of America, an expense should be recorded when incurred, and accounts payable should be recorded when an expense is incurred prior to payment being rendered.

Condition - The Academy recorded an expense and an accounts payable that had not been incurred nor paid.

Context - The Academy's records contained an expense and an account payable for rent expense which had not been incurred nor paid, resulting in an audit adjustment of $20,000.

Cause - The Academy did not review the journal entry made to record the expense and accounts payable.

Effect - Expenses and current liabilities were both overstated by $20,000.

Recommendation - In order to prevent and detect such misstatements from occurring in the future, we recommend that the accounting personnel review the detail of expenses and accounts payable for possible overstatements.

Views of Responsible Officials and Planned Corrective Actions - Every effort is made at year end to ensure that expenses are recorded in the proper period along with the corresponding payable. There will be occasions when errors are made as was the case with the rent expense for the Academy. Closer attention will be paid in the future to the recording of year-end expenses to make sure they occur in the proper period.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
08-02	**Finding Type** - Material weakness

Criteria - Monies due to the Academy in July and August from the library and mentoring grants should be classified as accounts receivable. The portion of these monies owed to other academies should be classified as intergovernmental payable.

Condition - The Academy did not properly classify the amounts to be received from library and mentoring grants as accounts receivable and amounts due to other academies as intergovernmental payable.

Context - The Academy did not record $55,494 of library and mentoring grants monies owed to it as accounts receivable. The Academy did not record a liability in the amount of $55,494 for the portion of monies owed to other academies related to the library and mentoring grants.

Cause - The Academy did not recognize monies related to sub-recipients of the library and mentoring grants as accounts receivable and intergovernmental payable.

Effect - Accounts receivable was understated by $55,494 and the intergovernmental payable was understated by $55,494.

Recommendation - The Academy should recognize all monies owed to it at year end as accounts receivable. The portion of those monies owed to other academies should be recognized as an intergovernmental payable.

Views of Responsible Officials and Planned Corrective Actions - The Academy is aware of the proper classification of monies received and due to other academies, but did not catch the misclassification before the auditors arrived. Special care will be taken to ensure the proper recording of monies received after the fiscal year end. It should be noted that the net effect of this misstatement was zero.

Section III - Federal Program Audit Findings

Reference Number	Findings
08-04	**Program Name** - CFDA # 84.184B - Mentoring Program

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

Finding Type - Noncompliance and significant deficiency

Criteria - OMB Circular A-87 requires that co-funded employees must prepare personnel activity reports at least monthly, to be signed and dated by the employee, and account for the staff person's total activity.

Condition - The Academy did not maintain documentation that adequately supports time charged to the Mentoring Program.

Context - Two employees were charged to the Mentoring Program during the year and both were tested. One of the two did not have proper documentation of time charged to the grant for the period selected.

Cause and Effect - The Academy did not require the employee to complete a personnel activity report for the time period selected for testing. As a result, employee time charged to the Mentoring Program is unsupported.

Recommendation - The Academy should implement internal control procedures to ensure that all employees charged to federal programs properly document time spent on these activities.

Views of Responsible Officials and Planned Corrective Actions - The grants, finance, and human resources departments at The Leona Group have begun discussions about ways to coordinate information to ensure that all employees funded by federal grants are completing the required personnel activity reports in addition to their weekly timesheets.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
08-05	**Program Name** - CFDA # 84.010 - Title I

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

Finding Type - Noncompliance and significant deficiency

Criteria - PL-107-110 Sec. 1115 defines eligible children as children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards on the basis of multiple, educationally related, objective criteria established by the local educational agency and supplemented by the school.

Condition - The Academy included children in the Title I targeted assistance program that did not meet this criteria.

Context - We selected 21 of the total 77 eligible participants and found that six (29 percent of the sample) did not meet eligibility requirements for the Title I targeted assistance program.

Cause and Effect - The Academy did not appropriately verify the need of students for Title I services and allowed ineligible students to participate.

Recommendation - The Academy should implement internal control procedures to ensure that all students' needs are verified prior to inclusion in the Title I targeted assistance program.

Views of Responsible Officials and Planned Corrective Actions - The grants department at The Leona Group will develop a training program for the Academy to ensure that only eligible students receive Title I services.

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
APRIL 16, 2009

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