MARITIME ACADEMY OF TOLEDO

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Dave Yost • Auditor of State

Board of Directors
Maritime Academy of Toledo
803 Water Street
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the Maritime Academy of Toledo, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Maritime Academy of Toledo is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

February 11, 2011

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MARITIME ACADEMY OF TOLEDO

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

We have audited the accompanying basic financial statements of the Maritime Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2010, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

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The Board of Directors
Maritime Academy of Toledo
Lucas County

The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maritime Academy of Toledo's basic financial statements. The accompanying schedule of expenditures of federal awards on page 26 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Maritime Academy of Toledo. Such information, which is the responsibility of the management of the Maritime Academy of Toledo, 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.

Weber O'Brien Ltd.

December 28, 2010

MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The management's discussion and analysis of the Maritime Academy of Toledo's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets were $128,868 at June 30, 2010.

- The Academy had operating revenues of $1,364,403, operating expenses of $2,058,775, non-operating revenues of $819,379, and non-operating expenses of 84,540 for fiscal year 2010. Total change in net assets for the fiscal year was an increase of $40,467.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table below provides a summary of the Academy's net assets for fiscal year 2010 and 2009.

Net Assets

	2010	2009
Assets		
Current assets	$353,442	$ 78,288
Capital assets, net	14,923	93,344
Total assets	368,365	171,632
Liabilities		
Current liabilities	239,497	83,231
Total liabilities	239,497	83,231
Net Assets		
Invested in capital assets	14,923	93,344
Restricted	19,775	10,865
Unrestricted (deficit)	94,170	(15,808)
Total net assets	$128,868	$ 88,401

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010 and June 30, 2009, the Academy's net assets totaled a balance of $128,868 and $88,401, respectively.

A portion of the Academy's net assets, $19,775 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets of $94,170 may be used to meet the Academy's ongoing obligation to the students and creditors.

At year-end, capital assets represented 4.05% of total assets. Capital assets consisted of furniture, fixtures and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending. During fiscal year 2010, the Academy disposed of leasehold improvements and certain furniture, fixtures and equipment as described in notes 2.H. and Note 6 to the basic financial statements.

Total liabilities increased by $156,266, primarily due to the reporting of unearned revenue and an increase in accrued wages and benefits. The increase in accrued wages and benefits are due to the Academy having more employees in fiscal year 2010 compared to fiscal year 2009. Current assets increased due to an increase in the cash and cash equivalents of $238,900 primarily resulting from the increase on overall revenue of the Academy.

The table below shows the changes in net assets for fiscal year 2010 and 2009.

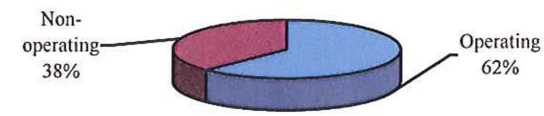
Change in Net Assets

	2010	2009
Operating Revenues:		
Foundation payments	$ 1,238,749	$ 846,262
Special education payments	83,923	136,256
Extracurricular	7,516	6,210
Food services	6,306	4,900
Classroom fees	11,584	5,627
Other	16,325	1,952
Total operating revenue	1,364,403	1,001,207
Operating Expenses:		
Salaries and wages	860,770	511,684
Fringe benefits	216,661	104,696
Purchased services	724,164	356,208
Materials and supplies	237,404	126,736
Depreciation	9,291	36,645
Other	10,485	33,010
Total operating expenses	2,058,775	1,168,979
Non-operating Revenues (Expenses):		
Grants and subsidies	819,374	182,826
Interest	5	3
Loss on disposal of capital assets	(84,540)	3,000
Total non-operating revenues	734,839	185,829
Change in net assets	40,467	18,057
Net assets at beginning of year	88,401	70,344
Net assets at end of year	$ 128,868	$ 88,401

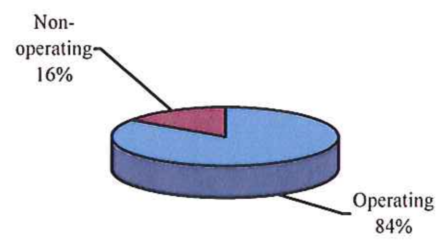
The overall increase in net assets can mainly be attributed to the increase in foundation revenues and non-operating grants and subsidies. The Academy received Federal grant monies through the American Recovery and Reinvestment Act which resulted in a significant increase in Federal and State grant revenue during fiscal year 2010. Enrollment at the Academy increased from 125 students at June 30, 2009 to 180 students at June 30, 2010. The increase in enrollment is the primary reason for the increase in salaries and fringe benefits as eight additional staff were hired in fiscal year 2010. The increase in enrollment was also the primary reason for the increase in foundation payments. Purchased services increased primarily in the areas of professional and technical services and property services. Professional and technical services increased as a result of the Academy moving to a new facility on September 1, 2009. Property services, primarily rent, increased due to higher rental payments on the new facility coupled with the new purchase services contract entered into on January 11, 2010 for the management of simulators. Materials and supplies increased due to increased enrollment and the equipping of the new facility. During fiscal year 2010, the Academy disposed of leasehold improvements and certain furniture, fixtures and equipment as described in notes 2.H. and Note 6 to the basic financial statements.

The charts below illustrate the revenues for the Academy for fiscal years 2010 and 2009.

2010 Revenues

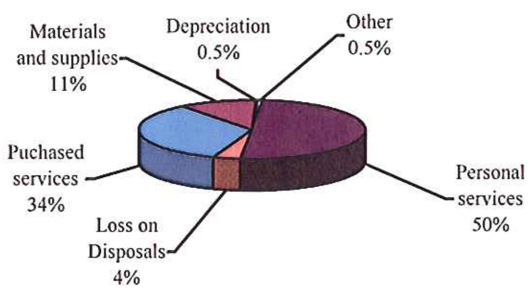


2009 Revenues

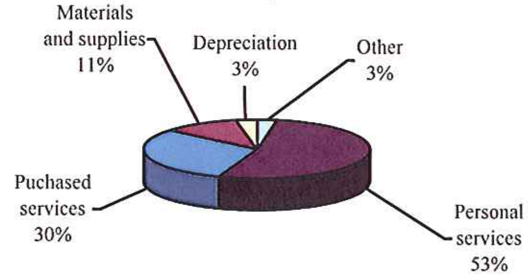


The charts below illustrate the expenses for the Academy for fiscal years 2010 and 2009.

2010 Expenses



2009 Expenses



Capital Assets

At June 30, 2010, the Academy had $14,923 invested in furniture, fixtures and equipment. See Note 6 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Academy is reliant upon State Foundation monies and federal grants to provide a maritime based curriculum to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply all financial resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Penny, Treasurer, Maritime Academy, 803 Water Street, Toledo, Ohio 43604.

MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:		
Current assets:		
Cash and cash equivalents	$	313,441
Receivables:		
Intergovernmental		21,556
Prepayments		18,445
Total current assets		353,442
Noncurrent assets:		
Depreciable capital assets, net		14,923
Total assets		368,365
Liabilities:		
Current liabilities:		
Accounts payable		13,646
Accrued wages and benefits		66,105
Compensated absences		9,512
Pension obligation payable		39,267
Intergovernmental payable		2,810
Unearned revenue		108,157
Total current liabilities		239,497
Total liabilities		239,497
Net assets:		
Invested in capital assets		14,923
Restricted for:		
Student activities		6,768
Food service operations		7,645
Locally funded programs		3,317
Federally funded programs		2,045
Unrestricted		94,170
Total net assets	$	128,868

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
Foundation payments	$ 1,238,749
Special education payments	83,923
Extracurricular	7,516
Food service	6,306
Classroom fees	11,584
Other	16,325
Total operating revenues	1,364,403
Operating expenses:	
Salaries and wages	860,770
Fringe benefits	216,661
Purchased services	724,164
Materials and supplies	237,404
Other	10,485
Depreciation	9,291
Total operating expenses	2,058,775
Operating loss	(694,372)
Non-operating revenues (expenses):	
Grants and subsidies	819,374
Interest revenue	5
Loss on disposal of capital assets	(84,540)
Total nonoperating revenues	734,839
Change in net assets	40,467
Net assets at beginning of year	88,401
Net assets at end of year	$ 128,868

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MARITIME ACADEMY OF TOLEDO
LUCAS COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from foundation payments	$ 1,228,222
Cash received from special education payments	83,923
Cash received from classroom fees	11,584
Cash received from extracurricular activities	7,516
Cash received from food services	6,306
Cash received from other operations	13,231
Cash payments for salaries and wages	(849,208)
Cash payments for fringe benefits	(176,239)
Cash payments for contractual services	(739,581)
Cash payments for materials and supplies	(241,890)
Cash payments for other expenses	(12,902)
Net cash used in operating activities	(669,038)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	923,343
Net cash provided by noncapital financing activities	923,343
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(15,410)
Net cash used in capital and related financing activities	(15,410)
Cash flows from investing activities:	
Interest received	5
Net cash provided by investing activities	5
Net increase in cash and cash equivalents	238,900
Cash and cash equivalents at beginning of year	74,541
Cash and cash equivalents at end of year	$ 313,441
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (694,372)
Adjustments:	
Depreciation	9,291
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(13,621)
(Increase) in prepayments	(18,445)
(Decrease) in accounts payable	(4,903)
Increase in accrued wages and benefits	14,838
(Decrease) in intergovernmental payable	(10,605)
Increase in compensated absences payable	9,512
Increase in pension obligation payable	39,267
Net cash used in operating activities	$ (669,038)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ACADEMY

Martime Academy of Toledo (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to "build better citizens for America." To accomplish this mission, the Academy commits to one-hundred percent student passage of the Ohio Graduation Test and to achieving a one-hundred percent diploma and graduation rate, by providing students a rigorous, high quality middle/junior/high school education (grades 5 through 12) that incorporates Navy Sea Cadet formation and a U.S. Coast Guard Junior Reserved Officers Training Corp. The Academy offers students a challenging Ohio standards-based education that promotes teamwork and moral leadership through maritime/nautical focused themes that are interwoven throughout and integrated across the curriculum. The Academy, which is part of the State's education program, is independent of any school district and is non-sectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for operation of the Academy.

The Academy was approved for operation under a Sponsorship Agreement with the Educational Service Center of Central Ohio (previously known as Franklin County Educational Service Center) (the "Sponsor") through June 30, 2010. On May 21, 2010, the Academy renewed the Sponsorship Agreement with the Educational Service Center of Central Ohio for a three year period July 1, 2010 through June 30, 2013. 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. See Note 14 for more information on the Academy's agreement with it's Sponsor.

The Academy operates under the direction of a Governing Board (the "Board"). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by 17 non-certified and 17 certified teaching personnel who provide services to 180 students.

During fiscal year 2010, the Academy operated under a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the Academy (See Note 13).

During fiscal year 2010, the Maritime Foundation, a non-profit organization, was organized to operate a school to provide maritime training and make grants to and benefit eduational institutions that are tax exempt. As discussed in Note 12, the Academy purchases services from the Foundation. In accordance with GASB 14 the Foundation is not a component unit of the Academy nor is it a joint venture or jointly governed organization of the Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The more significant of the Academy's policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. The Academy uses enterprise accounting to track and report its financial activities. Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, 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.

C. Basis of Accounting

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis. Chapter 3314.03(A)(11)(d) of the Ohio Revised Code also requires the Academy to prepare a five-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

E. Cash and Cash Equivalents

During fiscal year 2010, all monies received by the Academy were accounted for by the Academy's fiscal agent, Mangen & Associates. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

During fiscal year 2010, the Academy had only depository accounts.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Basic Aid and Special Education Programs. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program Basic Aid totaled $1,238,749 and those associated with Special Education grants from the State of Ohio totaled $83,923 during fiscal year 2010.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items 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 services are consumed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets and Depreciation

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 $1,500. The Academy does not possess any infrastructure. Improvements are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Leasehold Improvements	Life of lease
Furniture, Fixtures and Equipment	5 - 15 years

During fiscal year 2010, the Academy disposed of leasehold improvements and certain furniture, fixtures and equipment that were located at the Academy's original school facility. On October 16, 2009 the lease for the original school facility was assigned to another organization (see Note 11) and all leasehold improvements made to that facility, along with certain furniture, fixtures and equipment, were left at that facility and considered to be disposed. These capital assets have been removed from the Academy's capital assets at June 30, 2010 (see Note 6).

I. Accrued Liabilities Payable

The Academy has recognized certain liabilities on the statement of net assets relating to expenses, which are due but unpaid as of June 30, 2010 including:

Accrued wages and benefits payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2010 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2010 that were paid in the subsequent year.

J. Compensated Absences

Full-time administrative employees earn two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Vacation leave up to sixty (60) days will be paid out to employees upon separation of employment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment.

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment.

The liability for compensated absences at year-end is described in Note 10.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. None of the Academy's restricted net assets are restricted by enabling legislation.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, these revenues are primarily State of Ohio foundation payments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Operating expenses include, salaries and wages, fringe benefits, purchased services material and supplies, depreciation and other miscellaneous expenses. Revenues and expenses not meeting these definitions are reported as non-operating.

M. Estimates

The preparation of basic financial statements in conformity with GAAP 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.

N. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2010, the carrying amount of the Academy's deposits was $313,441. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, $250,000 of the bank balance of $346,561 was insured by the Federal Depository Insurance Corporation (FDIC) and $96,561 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

B. Investments

The Academy had no investments at June 30, 2010.

NOTE 4 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2010, consisted of receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables:	Amount
Federal grants:	
Food service reimbursements	$ 3,588
IDEA Part B	2,714
Title II D Technology	1,313
Drug Free School	320
UT Transportation grant	3,094
State of Ohio Foundation Adjustment	10,527
Total intergovernmental receivables	$ 21,556

NOTE 6 - CAPITAL ASSETS

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

	Balance 6/30/2009	Additions	Deductions	Balance 6/30/2010
Capital assets:				
Furniture, fixtures and equipment	$ 31,980	$ 15,410	$ (31,980)	$ 15,410
Leasehold improvements	120,739	-	(120,739)	-
Total capital assets	152,719	15,410	(152,719)	15,410
Less: accumulated depreciation				
Furniture, fixtures and equipment	(11,512)	(2,669)	13,694	(487)
Leasehold improvements	(47,863)	(6,622)	54,485	-
Total accumulated depreciation	(59,375)	(9,291)	68,179	(487)
Total capital assets, net of accumulated depreciation	$ 93,344	$ 6,119	$ (84,540)	$ 14,923

As discussed in Note 2.H., the Academy disposed of leasehold improvements and certain furniture, fixtures and equipment. The Academy has recorded a loss on the disposal of these capital assets in the amount of $84,540 in the statement of revenues, expenses and changes in net assets.

NOTE 7 - RISK MANAGEMENT

A. Insurance Coverage

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. For the fiscal year ended June 30, 2010, the Academy contracted with the Indiana Insurance Company for insurance coverage as follows:

NOTE 7 - RISK MANAGEMENT - (Continued)

Commercial General Liability per occurrence	$ 1,000,000
Commercial General Liability aggregate	2,000,000
Commercial General Liability Personal and Advertising Injury	1,000,000
Products/Completed Operations aggregate	2,000,000
Excess/Umbrella per occurrence and aggregate	2,000,000
Building and Building Personal Property	200,000
Fire Damage	300,000
Medical Expenses (any one person)	15,000

The Academy owns no real estate, but leases a facility located at 803 Water Street, Toledo, Ohio.

Settlements have not exceeded insurance coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2009.

B. Workers' Compensation

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

C. Employee Medical, Dental and Vision Benefits

The Academy has contracted through an independent agent to provide employee medical, dental and vision insurance to its full time employees who work 25 or more hours per week. The Academy pays the monthly premiums for all selected coverage (medical, dental and vision insurance).

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources.*

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 health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. 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

NOTE 8 - PENSION PLANS - (Continued)

Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were $28,663, $11,418 and $5,948, respectively; 93.55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

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.

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

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

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were $80,893, $43,658 and $26,866, respectively; 70.17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were $13,954 made by the District and $9,967 made by the plan members.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. SERS' Retirement Board reserves the right to change or discontinue any health care plan or program. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. ORC provides statutory authority to fund SERS postemployment benefits through employer contributions. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40 and SERS' reimbursement to retirees was $45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was $35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were $2,404, $3,358 and $2,067, respectively; 93.55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,705, $942 and $429, respectively; 93.55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $6,223, $5,226 and $2,714, respectively; 70.17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Full-time administrative staff earn from two to four weeks vacation leave each year and may carry-over any unused vacation leave to subsequent school years. Vacation leave up to sixty (60) days will be paid out to employees upon separation of employment. The Academy has recorded a liability for accumulated, but unused vacation balances at June 30, 2010. A vacation liability of $9,512 is recorded as a component of "compensated absences payable" on the financial statements.

Full time professional employees earn five sick days per year and full-time administrative staff earn five to fifteen sick days per year. Sick leave may not be accumulated. Unused sick leave is not paid out to employees upon separation of employment. No liability for unused sick leave is recorded at June 30, 2010.

Professional employees earn one personal day per year and full-time administrative personnel earn two (2) personal days per year. Personal leave may not be accumulated. Unused personal days are not paid out to employees upon separation of employment. No liability for unused personal leave is recorded at June 30, 2010.

NOTE 11 - OPERATING LEASES

On August 1, 2007, the Academy entered into an operating lease for a school facility. The term of the lease is 59 months. Aggregate required monthly rental payments under the operating lease, including one subsequent addendum, is $13,000. On October 16, 2009, the Academy, with the consent of the lessor, assigned this facility operating lease to another organization. During fiscal year 2010, prior to the assignment of the lease, the Academy made $44,000 in payments on this operating lease. Amounts due under the lease subsequent to year end are $148,000 through the term of the lease ending June 30, 2011. The Academy is liable for future amounts due under the lease should the assignee fail to make the required rent payments. Amounts due subsequent to year end have not been included in the following schedule of future minimum lease payments.

On September 1, 2008, the Academy leased a copier under a non-cancelable operating lease. The term of the lease is 60 months and commenced on September 1, 2008. Required monthly rental payments under the lease are $267. Total rent expense for the fiscal year ended June 30, 2010 was $3,204.

On September 1, 2009, the Academy moved to a new facility and entered into a new operating lease. The term of the lease is 36 months and commenced on September 1, 2009 with required monthly rental payments of $15,000. During fiscal year 2010, the Academy paid $135,000 under this operating lease. The lease terminates on September 1, 2012.

On September 1, 2009, the Academy entered into an operating lease for additional office space to house training equipment. The term of the lease is 36 months commencing on September 1, 2009 with required monthly rental payments of $5,417. During fiscal year 2010, the Academy paid $21,668 under this operating lease. This lease was cancelled in February 1, 2010 and was replaced by the purchase services contract described below.

The following is a schedule of the future minimum payments required under the operating leases and purchase services contract as of June 30, 2010:

Fiscal Year Ended June 30,	Building Lease	Copier Lease	Total
2011	$ 180,000	$ 3,210	$ 183,210
2012	180,000	3,210	183,210
2013	30,000	3,210	33,210
2014	-	535	535
Total	$ 390,000	$ 10,165	$ 400,165

NOTE 12 - PURCHASED SERVICES

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

Professional and technical services	$ 406,102
Property services	225,559
Travel mileage/meeting expense	24,782
Communications	14,393
Utilities	52,482
Pupil transporation	846
Total Purchased Services	$ 724,164

On January 11, 2010, the Academy entered into a services contract with the Maritime Foundation (the "Foundation"), a separate non-for-profit organization. Under the terms of the contract, the Foundation agrees to manage three engine room simulators, three navigation simulators and one radar simulator and also includes oversight and inspection of all facets of the operations of the simulators. The contract term is February 1, 2010 through January 31, 2011. The Academy agrees to pay the Foundation $6,500 per month under the purchase service contract. During fiscal year 2010, the Academy paid $39,000 to the Foundation under this contract, which is included in professional and technical services expense. Total remaining amounts due under this agreement during fiscal year 2011 are $45,500.

NOTE 13 - FISCAL AGENT

During fiscal year 2010, the Academy is a party to a fiscal services agreement with Mangen & Associates (M&A) LLC, which is an education finance consulting company. The agreement's term is for a twelve month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The agreement provides that M&A will perform Treasurer and financial support services. Payments totaling $57,726 were paid during the year.

M&A shall perform all of the following functions while serving as the Treasurer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from any other community school's funds;

- Maintain all books and accounts for all funds of the Academy;

- Maintain all financial records of the Academy and follow procedures for receiving and expending State funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;

- Assist the Academy in meeting all financial reporting requirements established by the Ohio Auditor of State;

- Invest funds of the Academy in a manner consistent with the Academy's investment policy and the Ohio Revised Code, but the Treasurer shall not commingle the funds with the funds of any other community school; and,

NOTE 13 - FISCAL AGENT- (Continued)

- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy, so long as the proposed expenditure is within the approved budget and funds are available.

M&A performed fiscal services for the Academy during fiscal year 2010; however, the Academy did not extend the agreement. M&A's fiscal services agreement ended June 30, 2010.

NOTE 14 - SPONSOR CONTRACT

The Academy entered into a five-year contract commencing on January 10, 2005 and continuing through June 30, 2010 with the Sponsor for its establishment. Under the contract, the following terms were agreed upon:

- The Academy shall comply with the policies and provisions described in the "Educational Program", which contains the Academy's mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, and the focus of the curriculum.

- The Academy shall comply with a "Financial Plan", which details an estimated school budget for each year of the period of the contract, and shall specify the total estimated per pupil expenditure amount for each such year.

- The Academy shall comply with the procedures by which the members of the Academy will be selected in the future as set forth in the "Governance and Administrative Plan".

- The Academy shall agree to assess student achievement of academic goals using the methods of measurement identified in the "Assessment and Accountability Plan".

- The Sponsor shall evaluate the performance of the Academy and agrees to comply with the standards by which the success of the Academy will be evaluated.

The Academy paid $36,910 in sponsorship fees to the Sponsor during fiscal year 2010.

NOTE 15 - CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expense 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

NOTE 15 – CONTINGENCIES- (Continued)

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. Based upon the results of the review performed for fiscal year 2010, the Academy has recorded a $10,527 intergovernmental receivable for monies due from the Ohio Department of Education.

MARITIME ACADEMY OF TOLEDO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (ACCRUAL BASIS)

YEAR ENDED JUNE 30, 2010

Federal Grantor *Pass-Through Grantor* Program Title	Federal CFDA Number	Grant Receipts	Non-Cash Receipts	Grant Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education:					
Special Education Cluster					
Special Education – Part B - IDEA	84.027	$ 29,346	$ -0-	$ 28,285	$ -0-
Special Education – Part B - IDEA - ARRA	84.391	32,317	-0-	31,367	-0-
		61,663	-0-	59,652	-0-
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	89,151	-0-	89,151	-0-
Title II-D – Education Technology	84.318	374	-0-	463	-0-
Title I, Part A Cluster					
Title I	84.010	195,487	-0-	170,838	-0-
Title I - ARRA	84.389	106,946	-0-	99,016	-0-
		302,433	-0-	269,854	-0-
Title IV – Safe and Drug Free Schools	84.186	922	-0-	922	-0-
Title II-A - Improving Teacher Quality	84.367	6,822	-0-	6,322	-0-
Twenty-First Century Community Learning Centers	84.287	367,494	-0-	330,928	-0-
TOTAL DEPARTMENT OF EDUCATION		828,859	-0-	757,292	-0-
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education:					
Child Nutrition Cluster					
National School Lunch Program	10.555	62,438	3,536	62,438	3,536
School Breakfast Program	10.553	15,668	-0-	15,668	-0-
		78,106	3,536	78,106	3,536
Child Nutrition Discretionary Grants - ARRA	10.579	6,000	-0-	6,000	-0-
TOTAL DEPARTMENT OF AGRICULTURE		84,106	3,536	84,106	3,536
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 912,965	$ 3,536	$ 841,398	$ 3,536

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INDEPENDENT AUDITORS' 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

Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

We have audited the accompanying basic financial statements of the Maritime Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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Board of Directors
Maritime Academy of Toledo

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.*

We noted certain matters that we reported to the management of Maritime Academy of Toledo in a separate letter dated December 28, 2010.

This report is intended solely for the information and use of the Academy's Board of Directors and management, the Academy's sponsor, 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.

Weber O'Brien Ltd.

December 28, 2010

INDEPENDENT AUDITORS' 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

Board of Directors
Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

Compliance

We have audited the compliance of Maritime Academy of Toledo, Lucas County ("Academy") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2010. The Academy's major federal programs are identified in the summary of auditors' 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 the Academy's management. Our responsibility is to express an opinion on the 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 the 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 the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Board of Directors
Maritime Academy of Toledo

Internal Control Over Compliance

Management of the 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 the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

Our consideration of the 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 the Academy's Board of Directors and management, the Academy's sponsor, 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.

Wilson O'Brien Ltd.

December 28, 2010

MARITIME ACADEMY OF TOLEDO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified 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 not considered to be material weaknesses?	____ yes	X none reported
Type of auditors' report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Title I, Part A Cluster	
84.010	Title I
84.389	Title I - ARRA
84.287	Twenty-First Century Community Learning Centers

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 FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MARITIME ACADEMY OF TOLEDO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

NONE

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Maritime Academy of Toledo
Lucas County
803 Water Street
Toledo, Ohio 43604

To the Board of Directors:

Ohio Revised 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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Maritime Academy of Toledo has adopted an anti-harassment policy in accordance with Ohio Revised 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 these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 29, 2007. Updates to the policy were approved by the Board on October 13, 2009.

2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666 (B):

    (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
    (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
    (3) A procedures for reporting prohibited incidents;
    (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
(6) A procedure for documenting any prohibited incident that is reported;
(7) A procedure for responding to and investigating any reported incident;
(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying and from retaliation following a report;
(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
(10) A requirement that the community school administration semiannually provide the president of the community school board a written summary of all reported incidents and post the summary on its web site, if the community school has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 is not intended to be and should not be used by anyone other than these specified parties.

Wilson O'Brien Ltd.

December 28, 2010

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Dave Yost • Auditor of State

MARITIME ACADEMY OF TOLEDO

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
FEBRUARY 24, 2011

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