Paul Laurence Dunbar Academy
Lucas County

Revised Financial Report

June 30, 2010

Dave Yost • Auditor of State

Board of Directors
Paul Laurence Dunbar Academy
3248 Warsaw Street
Toledo, Ohio 43608

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

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

Dave Yost
Auditor of State

March 15, 2011

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Paul Laurence Dunbar Academy

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Independent Auditor's Report

To the Board of Directors
Paul Laurence Dunbar Academy

We have audited the accompanying statement of net assets in liquidation of Paul Laurence Dunbar Academy (the "Academy") as of June 30, 2010 and the related statements of revenue, expenses, and changes in net assets in liquidation and cash flows for the year then ended. These revised basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these revised 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in the revised Note 13 to the financial statements, the Academy's contract with the Ohio Council of Community Schools was revoked effective June 30, 2010. As a result, the Academy has changed its basis of accounting for the period subsequent to June 30, 2009 from the going-concern basis to a liquidation basis of accounting.

In our opinion, the revised basic financial statements referred to above present fairly, in all material respects, the net assets in liquidation of the Academy as of June 30, 2010 and the changes in net assets in liquidation and cash flows thereof 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. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Paul Laurence Dunbar Academy

As detailed in the revised Note 13, subsequent to the issuance of the Academy's June 30, 2010 financial statements and our report thereon dated November 23, 2010, the Academy became aware that the footnotes to the financial statements did not include the detail of financial activity that occurred subsequent to the closing of the Academy to qualify as the final close out audit of the Academy, as required by the Ohio Auditor of State. In our original report, we expressed an unqualified opinion on the 2010 financial statements, and our opinion on the revised statements, as expressed herein, remains unqualified.

In accordance with Government Auditing Standards, we have also issued our report February 10, 2011 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 opinions on 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 read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

February 10, 2011

The management's discussion and analysis of Paul Laurence Dunbar Academy'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.

The management's discussion and analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their 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 management's discussion and analysis.

Financial Highlights

- In total, net assets decreased $87,763, which represents a 49.9 percent decrease from 2009. This was due primarily to the conscious effort of the Academy to increase spending for the instructional program.
- Total assets decreased $79,843, which represents a 26.7 percent decrease from 2009. This was due primarily to a decrease in cash associated with the increased spending mentioned above.
- Liabilities increased $7,920, which represents a 6.4 percent increase from 2009. This increase was due to the timing of the payment of accounts and contracts payable.

Using this Financial Report

This report consists of three parts: the management's discussion and analysis, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets in liquidation, a statement of revenue, expenses, and changes in net assets in liquidation, and a statement of cash flows.

Statement of Net Assets in Liquidation

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

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

TABLE 1	June 30	
	2010	2009
Assets		
Current assets	$ 205,446	$ 252,601
Capital assets - Net	13,960	46,648
Total assets	219,406	299,249
Liabilities - Current liabilities	131,139	123,219
Net Assets		
Invested in capital assets	13,960	46,648
Board designated	-	45,000
Unrestricted	74,307	84,382
Total net assets	**$ 88,267**	**$ 176,030**

Total assets decreased $79,843 from 2009. This was due primarily to a decrease in cash. Cash decreased by $69,440 from 2009. Intergovernmental receivables increased by $66,764 from 2009. This increase was due to the timing of the receipt of federal and state funding. Capital assets, net of depreciation, decreased by $32,688 from 2009 primarily due to the accelerated depreciation of furniture, fixtures, equipment, and library books associated with the Academy's closing.

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

TABLE 2	Year Ended June 30	
	2010	2009
Operating Revenue		
Foundation payments	$ 1,212,494	$ 959,220
Poverty-based assistance	256,453	200,458
Federal grants - Unrestricted	99,333	-
Charges for services	-	46
Other	72,845	9,289
Nonoperating Revenue		
Federal grants	631,334	377,140
State grants	7,542	7,107
Total revenue	2,280,001	1,553,260
Operating Expenses		
Salaries	888,709	541,126
Fringe benefits	299,270	187,061
Purchased services	931,461	737,328
Materials and supplies	103,036	72,119
Depreciation (unallocated)	74,543	23,260
Other expenses	14,321	8,333
Nonoperating Expenses		
Loss on disposal of fixed assets	24,858	2,870
Other expense	31,566	-
Total expenses	2,367,764	1,572,097
Change in Net Assets	**$ (87,763)**	**$ (18,837)**

Net assets decreased by $87,763 from 2009 to 2010. There was an increase in revenue of $726,741 and an increase in expenses of $795,667 from 2009 to 2010. Of the increase in revenue, total foundation payments increased by $253,274. Community schools receive no support from tax revenue.

The expense for salaries increased $347,583. This was primarily due to the staff necessary to accommodate the substantial enrollment increase in 2010. Purchased services expense increased $194,133 and depreciation expense increased $51,283 from 2009 to 2010.

Capital Assets

At the end of fiscal year 2010, the Academy had $13,960 invested in furniture, fixtures, and equipment, which represented a decrease of $32,688 from 2009. Table 3 shows fiscal year 2010 and fiscal year 2009 capital assets (net of depreciation):

TABLE 3

	2010	2009
Library books	$ -	$ 5,765
Furniture, fixtures, and equipment	13,960	40,883
Total capital assets	**$ 13,960**	**$ 46,648**

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

Current Financial Issues and Economic Factors

Paul Laurence Dunbar Academy was formed in 2001 under contract with the Ohio Council of Community Schools. During the 2009-2010 school year, there were 206 students enrolled in the Academy. The Academy receives its finances mostly from state sources. Foundation payments (including poverty-based assistance) for fiscal year 2010 totaled $1,468,947.

As discussed in Note 13 to the financial statements, the Academy's contract with the Ohio Council of Community Schools was revoked effective June 30, 2010.

Contacting the Academy'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 Paul Laurence Dunbar Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or email at don.ash@leonagroup.com.

Paul Laurence Dunbar Academy

Statement of Net Assets in Liquidation
June 30, 2010

Assets	
Current assets:	
Cash (Note 3)	$ 75,147
Intergovernmental receivables (Note 4)	117,432
Other receivables	12,867
Total current assets	205,446
Noncurrent assets - Depreciable capital assets - Net (Note 5)	13,960
Total assets	219,406
Liabilities - Current	
Accounts payable	53,813
Contracts payable (Note 12)	76,841
Intergovernmental payable	485
Total current liabilities	131,139
Net Assets	
Invested in capital assets	13,960
Unrestricted	74,307
Total net assets	**$ 88,267**

Paul Laurence Dunbar Academy

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

Operating Revenue	
Foundation payments	$ 1,212,494
Poverty-based assistance	256,453
Federal grants - Unrestricted	99,333
Other revenue	72,845
Total operating revenue	1,641,125
Operating Expenses	
Salaries	888,709
Fringe benefits	299,270
Purchased services (Note 10)	931,461
Materials and supplies	103,036
Depreciation (Note 5)	74,543
Other	14,321
Total operating expenses	2,311,340
Operating Loss	(670,215)
Nonoperating Revenue (Expenses)	
Federal grants	631,334
State grants	7,542
Loss on disposal of fixed asset (Note 5)	(24,858)
Other expense	(31,566)
Total nonoperating revenue - Net	582,452
Change in Net Assets	(87,763)
Net Assets - Beginning of year	176,030
Net Assets - End of year	**$ 88,267**

Paul Laurence Dunbar Academy

Statement of Cash Flows
Year Ended June 30, 2010

Cash Flows from Operating Activities		
Received from foundation payments	$	1,212,494
Received from poverty-based assistance		256,453
Received from federal grants		99,333
Received from other operating revenue		72,845
Payments to suppliers for goods and services		(985,057)
Payments to employees for services		(899,669)
Payments for employee benefits		(299,270)
Net cash used in operating activities		(542,871)
Cash Flows from Noncapital Financing Activities		
Federal grants received		564,168
State grants received		7,542
Other		(31,566)
Net cash provided by noncapital financing activities		540,144
Cash Flows from Capital and Related Financing Activities -		
Payments for capital acquisitions		(66,713)
Net Decrease in Cash		(69,440)
Cash - Beginning of year		144,587
Cash - End of year	**$**	**75,147**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$	(670,215)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		74,543
Changes in assets and liabilities:		
Increase in other receivables		(10,417)
Decrease in prepaids		54,896
Increase in accounts payable		19,698
Decrease in contracts payable		(10,861)
Decrease in intergovernmental payable		(515)
Total adjustments		127,344
Net cash used in operating activities	**$**	**(542,871)**

Note 1 - Description of the Academy and Reporting Entity

Paul Laurence Dunbar Academy (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 sixth. The Academy's mission is to educate, excite, and empower students, educating them when choices in public education have been unsatisfactory for their need, exciting them in an atmosphere where a love of learning and the arts is pervasive, and empowering them by providing the tools of heightened self-esteem, tolerance for others, and respect for the dignity of others. At all times, excellence is the achievable goal. 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 contract with the Ohio Council of Community Schools (the "Sponsor") for a period of five years through June 30, 2007. The contract was extended for a period of seven years through June 30, 2014. As discussed in Note 13 to the financial statements, the contract was revoked effective June 30, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2010 were approximately $44,000.

The Academy operates under the direction of a five-member board of directors. 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 206 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 and year-end fee (see Note 12).

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Paul Laurence Dunbar Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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 elected to also follow private sector guidance issued after November 30, 1989 for its business-type activities. The more significant of the Academy's accounting policies are described below.

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income are 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 in liquidation, a statement of revenue, expenses, and changes in net assets in liquidation, 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 in liquidation. The statement of revenue, expenses, and changes in net assets in liquidation presents increases (i.e., revenue) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Expenses are recognized at the time they are incurred.

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 its sponsor. The contract between the Academy and its sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

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

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

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 buildings, or any one item costing under $1,000 alone but purchased in a group for over $2,500. Software costing more than $10,000 per application will also be capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset nor materially extend the life of the asset are charged to expense when incurred. In accordance with the liquidation basis of accounting, the net book value of capital assets has been adjusted to net realizable value.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 3 - Deposits

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk are used for the Academy's deposits; however, the Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it may be impractical to insure all deposits. At June 30, 2010, the Academy's deposit balance of $90,391 had no bank deposits (checking and savings accounts) that were uninsured or uncollateralized.

Note 4 - Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

Title I	$ 72,396
Title I ARRA	17,270
Title I School Improvement	6,405
Title II-A	1,575
Child nutrition	15,604
Mentor grant	4,182
Total intergovernmental receivables	$ 117,432

Note 5 - Capital Assets

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

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Business-type Activity				
Capital assets being depreciated:				
Library books	$ 25,981	$ -	$ (25,981)	$ -
Furniture, fixtures, and equipment	174,635	27,183	(177,808)	24,010
Vehicles	-	39,530	-	39,530
Total capital assets being depreciated	200,616	66,713	(203,789)	63,540
Less accumulated depreciation:				
Library books	20,216	4,328	(24,544)	-
Furniture, fixtures, and equipment	133,752	38,685	(154,387)	18,050
Vehicles	-	31,530	-	31,530
Total accumulated depreciation	153,968	74,543	(178,931)	49,580
Total capital assets being depreciated - Net	$ 46,648	$ (7,830)	$ (24,858)	$ 13,960

Note 6 - Risk Management

Property and Liability - The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the Academy contracted with Philadelphia Indemnity Insurance Company for general liability, property insurance, and educational errors and omissions insurance. Settled claims relating to the 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	$ 9,000,000
Total per year	9,000,000
General liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

Note 6 - Risk Management (Continued)

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

Note 7 - Defined Benefit Pension Plans

School Employees' Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund healthcare benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' retirement board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were $29,739, $13,280, and $9,025, respectively; 100 percent has been contributed for fiscal years 2010 and 2008, and 73 percent for fiscal year 2009.

State Teachers Retirement System

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

Note 7 - Defined Benefit Pension Plans (Continued)

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

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

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

The Academy's required contributions for pension obligations to STRS Ohio for fiscal years ended June 30, 2010, 2009, and 2008 were $82,494, $43,856, and $39,764, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008. Contributions to the DCP and CP for fiscal year 2010 were $87,564 made by the Academy and $62,554 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 classified retirees and their beneficiaries: a healthcare plan and a Medicare Part B Plan. The healthcare plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the system based on authority granted by state statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the healthcare benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For fiscal year 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was $2,212.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,070, $6,078, and $4,118, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 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 $1,769, $1,096, and $650, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

Note 8 - Postemployment Benefits (Continued)

State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the plan and gives the retirement board authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. Active employee members do not contribute to the plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $6,346, $3,374, and $3,059, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

Note 9 - Contingencies

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

Note 10 - Purchased Service Expenses

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

Repairs and maintenance	$	48,184
Legal		3,542
Insurance		16,323
Advertising		7,541
Ohio Council of Community Schools		44,068
The Leona Group, LLC (Note 12)		273,599
Cleaning services		4,994
Other rentals and leases		6,989
Utility		37,631
Dues and fees		8,702
Other professional services		359,888
Building lease agreements (Note 11)		120,000
Total purchased services	$	931,461

Note 11 - Operating Leases

The Academy entered into a lease for the period from July 7, 2008 through July 6, 2013, with renewal options, for the use of the main building, gymnasium, and grounds as a school facility. Total payments under the lease totaled $120,000 for the year ended June 30, 2010. On July 1, 2010, the lease agreement was assigned and assumed by Northpointe Academy.

Note 12 - Management Agreement

The Academy entered into a five-year contract, effective May 1, 2002 through June 30, 2007, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the Academy. The management agreement was renewed effective December 11, 2007 for a period of seven years to continue through June 30, 2014. In exchange for its services, TLG receives a capitation fee of 12 percent of the per-pupil expenditures and a year-end fee of 50 percent of the audited financial statement excess of revenue over expenses, if any. The Academy incurred management fees totaling $273,599 for the year ended June 30, 2010. At June 30, 2010, contracts payable includes $14,092 for the payment of management fees and approximately $63,000 for reimbursement of subcontracted employees and other operating costs. Terms of the contracts require TLG to provide the following:

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

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

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

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

Note 12 - Management Agreement (Continued)

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

Direct expenses:	
Salaries	$ 888,709
Fringe benefits	299,270
Professional and technical services	333,843
Other direct costs	11,468
Total expenses	$ 1,533,290

Note 13 – Ceased Operations/Subsequent Events

As discussed in Note 1, the Academy entered into a contract with the Ohio Council of Community Schools. The Academy ceased operations as of June 30, 2010 and is currently in the process of dissolving the remaining assets and liabilities. The management agreement was terminated effectively June 30, 2010, after the end of the 2010 school year. Consequently, the Academy has changed its basis of accounting for the period subsequent to June 30, 2009 from the going-concern basis to a liquidation basis of accounting. All assets and liabilities have been adjusted to reflect their estimated fair market value as of June 30, 2010.

Subsequent to the issuance of the Academy's June 30, 2010 financial statements, the Academy became aware that the footnotes to the financial statements did not include the detail of financial activity that occurred subsequent to the closing of the Academy to qualify as the final close out audit of the Academy, as required by the Ohio Auditor of State. The following Statement of Net Assets in Liquidation as of January 14, 2011 and Statement of Revenues, Expenses and Changes in Net Assets in Liquidation for the period July 1, 2010 through January 14, 2011 summarize the transactions and effect of those transactions on the cash and liabilities of the Academy subsequent to the closing of the Academy on June 30, 2010.

Note 13 – Ceased Operations/Subsequent Events (Continued)

Statement of Net Assets in Liquidation:

	January 14, 2011
Assets - Current:	
Cash (Note 3)	$ 93,647
Prepaid expenses	1,427
Total current assets	95,074
Total assets	95,074
Liabilities - Current - Contracts payable	700
Total liabilities	700
Net Assets - Unrestricted	$ 94,374

Statement of Revenues, Expenses, and Changes in Net Assets in Liquidation:

	Period from July 1, 2010 through January 14, 2011
Operating Revenue - Foundation payments	$ 2,277
Operating Expenses	
Purchased services	23,140
Materials and supplies	17
Depreciation	13,959
Other	2,934
Total operating expenses	40,050
Operating Loss	(37,773)
Nonoperating Revenue (Expenses)	
Federal grants	23,624
Gain on disposal of fixed asset	14,500
Other revenue	5,756
Total nonoperating revenue - Net	43,880
Change in Net Assets	6,107
Net Assets - Beginning of period	88,267
Net Assets - End of period	$ 94,374

Paul Laurence Dunbar Academy

Federal Awards

Supplemental Information

June 30, 2010

Contents

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Independent Auditor's Report

To the Board of Directors
Paul Laurence Dunbar Academy

We have audited the statement of net assets in liquidation of Paul Laurence Dunbar Academy (the "Academy") as of June 30, 2010 and the related statements of revenue, expenses, and changes in net assets in liquidation and cash flows for the year then ended and have issued our report thereon dated February 10, 2011. Those basic financial statements are the responsibility of the management of Paul Laurence Dunbar Academy. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

Plante & Moran, PLLC

February 10, 2011

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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
Paul Laurence Dunbar Academy

We have audited the statement of net assets in liquidation of Paul Laurence Dunbar Academy (the "Academy") as of June 30, 2010 and the related statements of revenue, expenses, and changes in net assets in liquidation and cash flows for the year then ended and have issued our report thereon dated February 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Paul Laurence Dunbar 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 Academy's financial statements will not be prevented or detected and corrected on a timely basis.

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

To the Board of Directors
Paul Laurence Dunbar Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paul Laurence Dunbar 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*.

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

Plante & Moran, PLLC

February 10, 2011

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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
Paul Laurence Dunbar Academy

Compliance

We have audited the compliance of Paul Laurence Dunbar Academy (the "Academy") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The major federal programs of Paul Laurence Dunbar 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 Paul Laurence Dunbar Academy's management. Our responsibility is to express an opinion on Paul Laurence Dunbar 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 Paul Laurence Dunbar 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 Paul Laurence Dunbar Academy's compliance with those requirements.

In our opinion, Paul Laurence Dunbar 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, 2010.

To the Board of Directors
Paul Laurence Dunbar Academy

Internal Control Over Compliance

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

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

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

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

Plante & Moran, PLLC

November 23, 2010

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

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2009	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Clusters:						
Child Nutrition Cluster - U.S. Department of Agriculture -						
Passed through the Ohio Department of Education:						
National School Breakfast Program	10.553	$ 26,514	$ 2,358	$ 24,824	$ 26,514	$ 4,048
National School Lunch Program	10.555	87,115	10,286	85,845	87,115	11,556
Total Child Nutrition Cluster		113,629	12,644	110,669	113,629	15,604
Special Education Cluster - U.S. Department of Education -						
Passed through the Ohio Department of Education -						
Special Education - Grants to States (IDEA, Part B):						
IDEA, Part B	84.027	28,207	-	28,207	28,207	-
ARRA - IDEA, Part B, Recovery Act	84.391	33,684	-	33,684	33,684	-
Total Special Education - Grants to States (IDEA, Part B)		61,891	-	61,891	61,891	-
Title I, Part A Cluster - U.S. Department of Education -						
Passed through the Ohio Department of Education:						
Title I, Part A	84.010	273,401	20,801	167,301	218,896	72,396
Title I, School Improvement	84.010	60,000	-	39,878	46,283	6,405
ARRA - Title I Grants to Educational Agencies, Recovery Act	84.389	177,902	-	72,624	89,893	17,269
Total Title I, Part A Cluster		511,303	20,801	279,803	355,072	96,070
Education Technology State Grants Cluster - U.S. Department of Education -						
Passed through the Ohio Department of Education -						
Education Technolgy State Grants						
(Enhancing Education through Technology Program)	84.318	3,394	(282)	2,365	2,647	-

See Note to Schedule of Expenditures of Federal Awards.

Paul Laurence Dunbar Academy

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

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2009	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Clusters (Continued):						
School Improvements Grants Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - School Improvement Grants	84.377	$ 60,000	$ 8,648	$ 8,648	$ -	$ -
State Fiscal Stabilization Fund Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act (Education Stabilization Fund)	84.394	99,333	-	99,333	99,333	-
Total clusters		849,550	41,811	562,709	632,572	111,674
Other federal awards - U.S. Department of Education:						
Passed through Lake Erie Academy - Safe and Drug Free Schools - Community Service Grants - Project number Q184B070383	84.184B	83,691	8,525	88,034	83,691	4,182
Passed through the Ohio Department of Education:						
Safe and Drug-free Schools State and Communites	84.186	3,130	(102)	2,563	2,665	-
Title V	84.298	178	(18)	-	18	-
Improving Teacher Quality	84.367	14,780	-	10,146	11,721	1,575
Total noncluster programs passed through the Ohio Department of Education		18,088	(120)	12,709	14,404	1,575
Total federal awards		**$ 951,329**	**$ 50,216**	**$ 663,452**	**$ 730,667**	**$ 117,431**

See Note to Schedule of Expenditures of Federal Awards.

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

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Paul Laurence Dunbar 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*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Title I Cluster:
84.010	Title I, Part A
84.389	ARRA - Title I Grants to Educational Agencies
84.394	State Fiscal Stabilization Fund

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

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

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
	None

Dave Yost • Auditor of State

PAUL LAURENCE DUNBAR ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2011

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