Academy of Business and Technology, Lucas County

Financial Report

June 30, 2006

Mary Taylor, CPA
Auditor of State

Board of Directors
Academy of Business and Technology
20755 Greenfield Road, Suite 300
Southfield, MI 48075

We have reviewed the *Independent Auditor's Report* of the Academy of Business and Technology, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2005 through June 30, 2006. 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 Academy of Business and Technology is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 23, 2007

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Academy of Business and Technology, Lucas County

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Independent Auditor's Report

To the Board of Directors
Academy of Business and Technology,
Lucas County

We have audited the accompanying basic financial statements of Academy of Business and Technology, Lucas County (the "Academy") as of and for the year ended June 30, 2006, 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 16, the Academy has not obtained an exemption from federal income taxes or real property taxes. Therefore, its net earnings are subject to such income tax, and real property taxes have been assessed on its facilities. The accompanying financial statements do not include a provision for income taxes or accrued real property taxes, which we believe should be included to conform with accounting principles generally accepted in the United States of America.

In order to conform to State of Ohio accounting guidelines, the Academy recognizes all state and federal grant revenue when awarded regardless of when the revenue is expended and earned. Under accounting principles generally accepted in the United States of America, restricted grant revenue is recognized when earned as the related expenditures are incurred. Of the total revenue reported, $354,102 was unearned as of June 30, 2006.

Because of the departures referred to in the preceding paragraphs, operating revenue and net assets are overstated and liabilities for accrued income taxes, property taxes, and deferred revenue are understated by material amounts.

In our opinion, except for the effects of not recording tax expense or accrued taxes payable and not deferring unearned revenue as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Business and Technology, Lucas County as of June 30, 2006 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.

To the Board of Directors
Academy of Business and Technology,
Lucas County

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2006 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, 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 3 to the financial statements, the Academy has suffered losses from operations and has a net asset deficiency. Management's plans regarding those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 18, 2006

plante moran

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Report Letter on Internal Control and Compliance and Other Matters -
Basic Financial Statements

To the Board of Directors
Academy of Business and Technology,
Lucas County

We have audited the financial statements of Academy of Business and Technology, Lucas County (the "Academy") as of and for the year ended June 30, 2006 and have issued a qualified opinion in our report thereon dated September 18, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below:

The Academy is not comparing timesheets to the payroll register, which resulted in an employee being paid for more hours than was recorded on their timesheet. We also noted an incident where the Academy was not able to provide documentation to support an increase in an employee's pay rate. In another instance, the Academy was not able to locate a personnel file for an employee. We also noted that payroll systems changes and payroll records were not always subjected to an independent secondary review after preparation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

To the Board of Directors
Academy of Business and Technology,
Lucas County

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, grants, and other matters, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* as described below.

The Ohio Rev. Code Section 3301.074 states that the chief financial officer must be licensed or complete 16 hours of continuing education in accounting as approved by the sponsor. As of June 30, 2006, the chief financial officer was not licensed nor had he completed the continuing education requirements. The responsible officials have informed us that the chief financial officer is in the process of obtaining the correct license.

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

September 18, 2006

This section of Academy of Business and Technology, Lucas County's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2006. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This report consists of a series of financial statements and notes to the financial statements. These statements are organized so the reader can understand Academy of Business and Technology financially as a whole.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

Notes to the Basic Financial Statements

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of revenue, expenses, and changes in net assets, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of revenue, expenses, and changes in net assets - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net assets and the statement of revenue, expenses, and changes in net assets report the activities for the Academy, which encompass all the Academy's services, including instruction, support services, community services, and food service. Unrestricted state aid and state and federal grants finance most of these activities.

Table I provides a summary of the Academy's net assets for fiscal years 2006 and 2005:

TABLE I

	2006	2005
Assets		
Current and other assets	$ 1,200,624	$ 529,197
Capital assets	87,526	183,608
Total assets	1,288,150	712,805
Liabilities - Current liabilities	1,615,994	710,824
Net Assets		
Invested in capital assets	87,526	183,608
Unrestricted deficit	(415,370)	(181,627)
Total net assets (deficit)	**$ (327,844)**	**$ 1,981**

The Academy's net assets decreased over the previous year. The decrease in net assets was approximately $330,000.

The Academy's decline in financial position is the result of several factors. The primary reason for the decline is due to the fact that grant revenue was recorded in the prior year for expenditures incurred in the current year. Also, a decline in pupil count has reduced revenue. The above analysis focuses on the net assets (see Table 1). The change in net assets of the Academy is discussed below (see Table 2). The Academy's deficiency in net assets was $(327,844) at June 30, 2006. Capital assets recorded at historical cost, net of depreciation, totaled $87,526. No long-term debt was used to finance the acquisition of those assets. The remaining amount of net asset deficiency of ($415,370) was unrestricted.

The ($415,370) deficit in unrestricted net assets represents the accumulated results of the past year's operations. Since the unrestricted net assets balance is in a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of revenue, expenses, and changes in net assets, which shows the changes in net assets for fiscal years 2006 and 2005 (see Table 2).

TABLE 2

	2006	2005
Operating Revenues		
Foundation payments	$ 1,561,858	$ 1,947,466
Disadvantaged Pupil Impact Aid	508,351	333,679
Food sales	1,262	3,124
Other	4,707	-
Nonoperating Revenues		
Federal grants	416,934	594,853
State grants	3,429	19,386
Total revenue	2,496,541	2,898,508
Operating Expenses		
Salaries	957,159	981,243
Fringe benefits	274,747	264,192
Purchased services	1,232,269	1,281,420
Materials and supplies	201,117	214,069
Depreciation	161,074	161,025
Total expenses	2,826,366	2,901,949
Decrease in Net Assets	**$ (329,825)**	**$ (3,441)**

As reported in the statement of revenue, expenses, and changes in net assets, the cost of all of our activities this year was $2,826,366. Certain activities were funded by those who benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions. We paid for the remaining public benefits portion of our business-type activities with $2,070,209 in state foundation and DPIA allowance.

The Academy experienced a decrease in net assets of $329,825. Key reasons for the change in net assets were the timing of grant revenue and expenditure recognition and a decline in student enrollment.

Capital Assets

As of June 30, 2006, the Academy had $779,160, before depreciation, invested in capital assets, including leasehold improvements, furniture, and equipment. This amount represents a net increase, including additions and disposals, of $64,992 for furniture and equipment. No debt was issued for these additions. No major capital projects are planned for the 2006-2007 fiscal year.

Capital assets, net of depreciation, for fiscal years 2006 and 2005 are as follows:

	2006	2005
Leasehold improvements	$ 14,134	$ 131,323
Furniture and equipment	73,392	52,285
Total capital assets	**$ 87,526**	**$ 183,608**

For more information on capital assets, see Note 6 to the basic financial statements.

Debt

At the end of fiscal year 2006, the Academy did not have any outstanding debt other than normal trade payables, which are recorded on an accrual basis. The majority of the trade payables are owed to the management company.

Economic Factors

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 83 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenues. The impact on the Academy of the State's projected revenue is not known.

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 money it receives. If you have questions about this report or need additional information, contact Andrew Burks, Fiscal Officer of the Academy of Business and Technology, Lucas County, at Charter School Administration Services, 20755 Greenfield Road, Suite 300, Southfield, Michigan 48075 or 1-800-425-1415.

Statement of Net Assets
June 30, 2006

Assets		
Cash (Note 4)	$	143,889
Accounts receivable		1,539
Intergovernmental receivables (Note 5)		463,980
Prepaid items		591,216
Capital assets - Net of accumulated depreciation (Note 6)		87,526
Total assets		1,288,150
Liabilities - Current		
Accounts payable		1,544,486
Accrued wages and benefits		71,508
Total liabilities		1,615,994
Net Assets (Deficit)		
Investment in capital assets		87,526
Unrestricted deficit		(415,370)
Total net assets (deficit)	**$**	**(327,844)**

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

Academy of Business and Technology, Lucas County

Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2006

Operating Revenues	
Foundation payments	$ 1,561,858
Disadvantaged Pupil Impact Aid	508,351
Food sales	1,262
Other revenues	4,707
Total operating revenues	2,076,178
Operating Expenses	
Salaries	957,159
Fringe benefits	274,747
Purchased services (Note 15)	1,232,269
Materials and supplies	201,117
Depreciation	161,074
Total operating expenses	2,826,366
Operating Loss	(750,188)
Nonoperating Revenues - Grants received	
Federal	416,934
State	3,429
Total nonoperating revenues	420,363
Change in Net Assets	(329,825)
Net Assets - July 1, 2005	1,981
Net Assets (Deficit) - June 30, 2006	**$ (327,844)**

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

Academy of Business and Technology, Lucas County

Statement of Cash Flows
June 30, 2006

Cash Flows from Operating Activities	
Cash received from foundation payments	$ 1,561,858
Cash received from Disadvantaged Pupil Impact Aid	508,351
Cash received from food program	1,262
Cash received from other revenues	4,707
Cash payments to suppliers for goods and services	(1,097,275)
Cash payments to employees for services	(958,925)
Cash payments for employee benefits	(294,568)
Net cash used in operating activities	(274,590)
Cash Flow from Noncapital Financing Activities - Grants received	
Federal	441,441
State	3,429
Net cash provided by noncapital financing activities	444,870
Cash Flows from Capital and Related Financing Activities - Payments for capital acquisitions	(64,992)
Net Increase in Cash	105,288
Cash - Beginning of year	38,601
Cash - End of year	**$ 143,889**
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (750,188)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	161,074
Changes in assets and liabilities:	
Increase in accounts receivable	(1,245)
Increase in prepaid items	(589,401)
Increase in accounts payable	926,757
Decrease in accrued wages and benefits	(21,587)
Total adjustments	475,598
Net cash used in operating activities	**$ (274,590)**

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

Note 1 - Description of the School and Reporting Entity

Academy of Business and Technology, Lucas County (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through eight. The Academy's objective is to prepare all students to be successful citizens, cooperative workers, and profitable entrepreneurs by developing their unique potential. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the "Sponsor") for a period of five years commencing August 15, 1999, which was later extended through June 30, 2006. The Academy has renewed the charter under the oversight of the Ashe Cultural Center for a period of three years commencing June 30, 2006 and ending April 14, 2009. 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. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3 percent of the total state funds received each year to the Sponsor.

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 two instructional/support facilities staffed by 14 noncertified and 14 certified full-time teaching personnel who provide services to 338 students.

The governing board has entered into a management contract with Charter School Administration Services, Inc. (CSAS) to provide consulting services, including teacher training, curriculum development, financial management, and state relations (see Note 10).

Note 2 - Summary of Significant Accounting Policies

Except as described below, the financial statements of Academy of Business and Technology, Lucas County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental organizations. In order to conform to State of Ohio accounting guidelines, the Academy recognizes all state and federal grant revenue when awarded regardless of when the revenue is expended and earned. Under generally accepted accounting principles, restricted grant revenue is recognized when earned as the related expenditures are incurred.

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 to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

FASB standards of accounting issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The Academy has elected to also follow FASB guidance issued after November 30, 1989 for its activities.

Basis of Presentation - The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise Fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

Measurement Focus - Enterprise Fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenue, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting - The 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)

Nonexchange transactions are transactions in which the Academy receives value without directly giving equal value in return and include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which the Academy is notified of the award.

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 the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

Cash and Cash Equivalents - All monies received by the Academy are accounted for by the Academy's management company, Charter School Administration Services, Inc. (CSAS), which serves as the Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name. Monies for the Academy are maintained in this account.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2006 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 the 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. The Academy does not possess any infrastructure. There are no construction period interest costs.

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

Leasehold improvements	5 years
Furniture and equipment	5 years

Compensated Absences - Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned for all employees who are eligible for vacation.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accrued Liabilities Payable - The Academy has recognized certain liabilities on its statement of net assets relating to expenses which are due but unpaid as of June 30, 2006, including accounts payable and salary payments made after year end that were for services rendered in fiscal year 2006. Certain teaching personnel are paid year round; however, payments during the summer months were earned as of June 30. Therefore, a liability has been recognized at June 30, 2006 for all salary payments made to teaching personnel during summer 2006.

Net Assets - Net assets represent the difference between assets and liabilities. Investment in capital assets consists of capital assets, net of accumulated depreciation.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenues - The Academy currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which the Academy is notified of the program amount.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which the grant is awarded.

The Academy also participates in various state and federal operating grants. Grants awarded in 2006 include the following: Title I, Title II-A, Title II-D, Title IV, Title V, IDEA-B, Repair and Renovation, EMIS, and meal reimbursement program. Revenue received under the above named programs is recognized as nonoperating revenue in the accompanying financial statements.

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 basic financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Going Concern

The Academy has incurred an operating deficit in the current year, resulting in a net asset deficiency. The Academy has formulated a deficit reduction plan to eliminate the operating deficit. The plan calls for increased student enrollment and reduction in operating costs.

Note 4 - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was $143,889 and the bank balance was $172,265. As of June 30, 2006, the Academy's deposit balance of $72,265 (checking and savings) was uninsured and uncollateralized. The Academy has no deposit policy for custodial credit risk.

Investments - During the year ended June 30, 2006, the Academy had no investments. The Academy has no investment policy that addresses any restriction on investments relating to interest rate, credit, or custodial credit risks.

Note 5 - Receivables

Receivables at June 30, 2006 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of principal items of intergovernmental receivables follows:

Title I	$ 237,248
Title II-A	73,599
Title II-D	4,241
Title IV	11,764
Title V	3,417
Title VI-B IDEA-B	100,459
Repair and renovation grant	33,252
Total intergovernmental receivables	$ 463,980

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006 is as follows:

	Balance July 1, 2005	Additions	Balance June 30, 2006
Capital assets being depreciated:			
Leasehold improvements	$ 559,219	$ 16,000	$ 575,219
Furniture and equipment	154,949	48,992	203,941
Subtotal	714,168	64,992	779,160
Accumulated depreciation:			
Leasehold improvements	427,896	133,189	561,085
Furniture and equipment	102,664	27,885	130,549
Subtotal	530,560	161,074	691,634
Net governmental capital assets	$ 183,608	$ (96,082)	$ 87,526

Note 7 - Risk Management

Property and Liability - The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the Academy contracted with Employers Mutual Casualty Company for general liability and property insurance with a $1,000,000 single occurrence limit and $2,000,000 aggregate limit and no deductible. Professional liability is protected by excess insurance coverage with an $8,000,000 single occurrence limit and an $8,000,000 aggregate and no deductible. Automobile liability for bodily injury and/or property damage has a $1,000,000 single occurrence limit. The Academy also has an $8,000,000 liability umbrella policy from Employers Mutual Casualty Company.

Settled claims have not exceeded this commercial coverage in any of the past two years. There has been no significant change in insurance coverage from last year.

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

Note 8 - Defined Benefit Pension Plans

School Employees' Retirement System

Plan Description - The Academy contributes to the School Employees' Retirement System (SERS), a cost-sharing, multiple-employer, defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the School Employees' Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 2005 (the latest year available), 10.57 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, up to a statutory maximum amount, by the SERS' retirement board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were $23,534, $21,337, and $13,031, respectively. For fiscal years 2006, 2005, and 2004, 100 percent has been contributed.

State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Note 8 - Defined Benefit Pension Plans (Continued)

Plan Options - New members have a choice of three retirement plan options. In addition to the defined benefit (DB) plan, new members are offered a defined contribution (DC) plan and a combined plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The combined plan offers features of the DC plan and the DB plan. In the combined plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan. Contributions into the DC plan and the combined plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and combined plan members will transfer to the defined benefit plan during their fifth year of membership unless they permanently select the DC or combined plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60, (ii) 25 years of service credit and attained age 55, or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio Service credit is calculated at 2.5 percent. An additional 0.1 percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years, and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Note 8 - Defined Benefit Pension Plans (Continued)

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the revised code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the combined plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3 percent of the original base amount for defined benefit plan participants.

The defined benefit and combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

Note 8 - Defined Benefit Pension Plans (Continued)

A defined benefit or combined plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the defined benefit plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC, or combined plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2005 (the latest year available) were 10 percent of covered payroll for members and 14 percent for employers. Thirteen percent was the portion used to fund pension obligations. The Academy's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were $110,869, $115,258, and $102,727, respectively, equal to the required contributions for each year, of which 100 percent has been contributed for the fiscal years ended June 30, 2006, 2005, and 2004.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2005 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Note 9 - Postemployment Benefits

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

Note 9 - Postemployment Benefits (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2005 (the latest year available), the allocation rate is 3.43 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2005 (the latest year available), the minimum pay has been established at $27,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Academy, the amount to fund health care benefits, including the surcharge, was $5,874 for fiscal year 2006.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deductions. Gross expenses for health care at June 30, 2005 (the latest year available) were $178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005 (the latest year available), the value of the health care fund was $267.5 million, which is about 168 percent of next year's projected net health care costs of $158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. The number of benefit recipients currently receiving heath care benefits is 58,123.

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the defined benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

Note 9 - Postemployment Benefits (Continued)

The board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2006 and 2005, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.3 billion on June 30, 2005 (the latest year available).

For the Academy, this amount equaled $8,047 during the 2006 fiscal year. For the fiscal year ended June 30, 2005 (the latest year available), net health care costs paid by STRS Ohio were $254,780,000. There were 115,395 eligible benefit recipients.

Note 10 - Agreements with Charter School Administration Services, Inc.

The Academy entered into a five-year contract, effective July 1, 1999 through June 30, 2004, with Charter School Administration Services, Inc. (CSAS) for educational management services. The contract has been extended through July 31, 2007. If neither party terminates the contract, it will automatically renew for an additional year. In exchange for its services, CSAS receives a management fee equal to 12 percent of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require CSAS to provide the following:

a. Providing the support necessary for the provision of educational services to students and the management, operation, and maintenance of the Academy

b. Implementation and administration of the educational program, including the selection and acquisition of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs

c. All personnel functions, including professional development for the Academy administrator, all instructional personnel, and support staff

d. Control, maintenance, and operation of the Academy building and the installation of technology integral to the Academy design

e. All aspects of the business administration of the Academy

f. Transportation and food service for the Academy

g. A projected annual budget prior to each school year

Note 10 - Agreements with Charter School Administration Services, Inc. (Continued)

h. Detailed statements of all revenues received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request

i. Provide support for annual audits in compliance with state law and regulations, showing the manner in which funds are spent at the Academy

j. Reports on Academy operations, finances, and student performance, upon request, but not less frequently than four times per year

k. Any other function necessary or expedient for the administration of the Academy

For the year ended June 30, 2006, the Academy incurred management company fees of $293,074. The Academy also incurred overhead fees of $268,268. At June 30, 2006, the majority of the Academy's accounts payable balances are due to the management company.

Note 11 - 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 is 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, 2006. During the fiscal year ended June 30, 2005, the Academy was notified of prior questioned costs related to these grants of $451,849. No liability has been recorded in relation to these questioned costs as of June 30, 2006 because granting agencies have not indicated that repayment of the questioned costs is necessary.

State Funding - The Ohio Department of Education reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2006, the results of this review are not concluded. However, in the opinion of management, any changes to enrollment data will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006.

Note 11 - Contingencies (Continued)

Subsequent to year end, an employee filed a suit against the Academy claiming discrimination. The Ohio Civil Rights Commission is currently investigating the claim and no other action has been taken. The effect on the Academy is not presently determinable, and no amounts have been accrued for potential losses.

Note 12 - Operating Leases

The Academy entered into a sublease commencing August 1, 1999 for five years with Academy of America, a Michigan nonprofit corporation, which leases from Covenant Development Corporation, to lease space to house the Academy's Woodland campus. The building was sold by Covenant Development Corporation to Education Real Estate, Inc. on November 1, 2002. The Academy entered into a new lease agreement with Education Real Estate, Inc., effective the same date, for one year and nine months, through July 31, 2004. Effective May 15, 2006, this lease was extended to June 30, 2009.

The Academy entered into a lease for a second facility, the Parkwood campus, with Education Real Estate, Inc. commencing August 1, 2001 for four years. The lease was extended through June 30, 2009. Facility lease payments to CSAS Real Estate, Inc. for the two facilities totaled $620,317 for the fiscal year. CSAS Real Estate, Inc. waived $589,800 of the lease payments for the 2006 fiscal year.

The Academy entered into several leases for copiers; two commencing February 27, 2004 for 36 months; one commencing April 18, 2004 for 36 months; and one commencing April 1, 2006 for 36 months. The copiers are owned by Savin Credit Corporation, GE Capital, and Ricoh Business Systems. Payments made totaled $34,899 for the fiscal year.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2006:

Years Ending June 30	Facility Lease	Copiers
2007	$ 589,800	$ 17,444
2008	589,800	7,956
2009	589,800	3,480
Thereafter	-	-
Total	$ 1,769,400	$ 28,880

Note 13 - Related Parties

Two of the board members of the Academy are also board members of the Academy of Cleveland and the Academy of Dayton. Members of the board of directors are not compensated.

The Academy entered into a lease through June 30, 2009 with Education Real Estate, Inc. for a facility (see Note 12). Education Real Estate, Inc. is the real estate affiliate of Charter School Administration Services, Inc. (CSAS), the Academy's management company. Total lease payments for the year ended June 30, 2006 to Education Real Estate, Inc. were $620,317 for rent, of which $589,800 was waived by Education Real Estate, Inc. as discussed in Note 12.

Overhead fees which were earned by CSAS, the management company, were $268,268. Total management company fees earned by CSAS were $293,074.

Note 14 - Consortium Agreement

On January 14, 2000, the governing board approved joining a consortium with 18 other charter schools and public school academies, each of which is managed by Charter School Administration Services, Inc. (CSAS) under management agreements comparable to the management agreement between the Academy and CSAS (see Note 10). The members of the consortium are as follows:

Academy	State of Operation
Academy of Cleveland	Ohio
Academy of Dayton	Ohio
Academy of Kansas City	Missouri
Academy of Arizona	Arizona
Academy of Beaumont	Texas
Academy of Dallas	Texas
Bexar County Academy	Texas
Academy of Lithonia	Georgia
Academy of Detroit West	Michigan
Academy of Oak Park	Michigan
Academy of Michigan	Michigan
Academy of Southfield	Michigan
Academy of Lathrup Village	Michigan
Academy of Flint	Michigan
Academy of Inkster	Michigan
Academy of Warren	Michigan
Academy of Waterford	Michigan
Academy of Westland	Michigan
Cherry Hill School of Performing Arts	Michigan

Note 14 - Consortium Agreement (Continued)

The management agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 1999, and the experiences of CSAS in both incurring costs for the consortium members and allocation of such costs to consortium members, the Academy and CSAS have agreed upon an equitable method of such allocation. Based upon the student count, the Academy shall pay CSAS for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium for the 2005-2006 school year an amount equal to $67 per month per student enrolled at the Academy, totaling $268,268 for the 2006 school year.

Note 15 - Other Purchased Services

During the year ended June 30, 2006, other purchased service expenses for services rendered by various vendors were as follows:

Rent to CSAS Real Estate	$ 30,517
Consulting fees	150,937
Food service	92,903
Utilities	110,227
Administrative fees to Sponsor	64,581
Management fees to CSAS	293,074
Overhead fees to CSAS	268,268
Professional fees	75,709
Maintenance and repairs	43,133
Miscellaneous	22,238
Telephone	34,424
Meeting expenses	7,667
Insurance	25,325
Advertising	9,204
Leased equipment	4,062
Total	$ 1,232,269

Note 16 - Tax-exempt Status

The Academy has not filed for tax-exempt status under §501(c)(3) of the Internal Revenue Code; however, the Academy is in the process of filing the required documents and has retained counsel to prepare and handle the required filings. The Academy has not filed tax returns and has made no provision for any potential future tax liability which could result from not obtaining the §501(c)(3) tax-exempt status.

In addition, the Academy has not paid property taxes nor made an accrual for back property taxes owed on the property it is currently leasing from CSAS. The Academy is in the process of seeking a real property tax exemption for that property. If the Academy is not successful in obtaining the exemption, it will be assessed the property taxes not paid during prior years.

Mary Taylor, CPA
Auditor of State

ACADEMY OF BUSINESS AND TECHNOLOGY

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 6, 2007

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