TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Toledo Academy of Learning
Lucas County
301 Collingwood Blvd.
Toledo, Ohio 43604-8624

To the Governing Board:

We have audited the accompanying basic financial statements of the Toledo Academy of Learning, Lucas County, Ohio (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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toledo Academy of Learning, Lucas County, as of June 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, but is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor, CPA
Auditor of State

June 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The discussion and analysis of the Toledo Academy of Learning's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased $514,416
- Total assets were $352,919
- Total liabilities were $178,867

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Reporting the Academy as a Whole

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 Activities, 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 the 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 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 non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Assets and the Statement of Activities report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted state aid and state and federal grants finance most of these activities.

Table 1 provides a summary of the Academy's net assets for fiscal year 2006 and fiscal year 2005:

(Table 1)
Net Assets

	2006	2005
Assets		
Current Assets	$ 188,883	$ 662,866
Security Deposit	12,064	12,064
Capital Assets, Net	151,972	173,269
Total Assets	352,919	848,199
Liabilities		
Current Liabilities	178,867	156,795
Non-Current Liabilities		2,936
Total Liabilities	178,867	159,731
Net Assets		
Invested in Capital Assets	151,972	170,333
Restricted for Grants		
Unrestricted	22,080	518,135
Total Net Assets	$ 174,052	$ 688,468

Total assets decreased $495,280, which represents a 58.4 percent decrease from fiscal year 2005. The majority of the decrease resulted from the use of cash and cash equivalents to pay increased expenditures incurred during the fiscal year. Cash and cash equivalents decreased by $544,244, total receivables increased by $22,412. Total liabilities increased by $19,136, which represents a 12 percent increase from 2005. Total liabilities increased due to an increase in intergovernmental payables, resulting from an overpayment in foundation revenue during the fiscal year. The Academy's net assets decreased by $514,416, represents a 74.7 percent decrease from 2005.

Table 2 shows the changes in net assets for fiscal year 2006 as compared to fiscal year 2005.

(Table 2)
Change in Net Assets

	2006	2005
Operating Revenues:		
Foundation Payments	$ 2,080,667	$ 2,072,140
Poverty Based Assistance	379,964	365,343
Special Education	91,170	53,277
Classroom Fees	736	4,463
Food Services	2,667	442
Extracurricular Activities	122	2,720
Other	12,816	27,655

(Continued)

(Table 2)
(Continued)
Change in Net Assets

	2006	2005
Non-Operating Revenues:		
Federal Grants	826,751	771,305
State Grants	22,114	25,618
Contributions and Donations	3,404	250
Interest	7,292	6,047
Total Revenues	3,427,703	3,329,260
Operating Expenses		
Salaries	1,971,182	1,534,934
Fringe Benefits	591,415	596,947
Purchased Services	1,024,990	834,898
Materials and Supplies	242,152	262,782
Depreciation	95,339	88,519
Other Expenses	16,716	14,621
Non-Operating Expenses		
Interest and Fiscal Charges	325	867
Total Expenses	3,942,119	3,333,568
Decrease in Net Assets	$ (514,416)	$ (4,308)

There was an increase in revenues of $98,443 from fiscal year 2005, which was mainly the result of a first time receipt of the Enhancing Education Through Technology (EETT) grant. Of the increase in revenues, the foundation payments increased by $8,527. The Academy experienced an increase in Special Education revenue in the amount of $37,893, which was the result of higher enrollment of Special Education Students. Community Schools receive no support from tax revenues.

Expenses increased by $608,551 from 2005. The expense for salaries increased $436,248, which was primarily due to the hiring of additional staff throughout the 2006 fiscal year. The expense for fringe benefits, however, decreased by $5,532 from fiscal year 2005. Material and supplies expense decreased $20,630. Depreciation expense increased $6,820.

Capital Assets

At the end of fiscal year 2006, the Academy had $151,972 (net of $418,010 in accumulated depreciation) invested in leasehold improvements and furniture and equipment. Table 3 shows fiscal year 2006 balances compared to fiscal year 2005:

(Table 3)
Capital Assets at June 30, 2006
(Net of Depreciation)

	2006	2005
Leasehold Improvements	$ 19,997	$ 45,470
Furniture and Equipment	131,975	127,799
Totals	$ 151,972	$ 173,269

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

Current Financial Issues

During the 2005-2006 school year, there were approximately 349 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2006 amounted to $5,283 per student.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Margie Blackmon, Director, at Toledo Academy of Learning, 301 Collingwood Blvd., Toledo, Ohio 43604-8624, or by e-mail at taol_mblackmon@email.nwoca.org.

TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 3,847
Accounts Receivable	3,437
Intergovernmental Receivables	101,633
Prepaid Items	79,966
Total Current Assets	188,883
Non-Current Assets:	
Security Deposits	12,064
Capital Assets:	
Depreciable Capital Assets, Net	151,972
Total Non-Current Assets	164,036
Total Assets	352,919
Liabilities	
Current Liabilities:	
Accounts Payable	29,732
Accrued Wages and Benefits	79,656
Intergovernmental Payable	69,479
Total Current Liabilities	178,867
Net Assets	
Invested in Capital Assets, Net of Related Debt	151,972
Unrestricted	22,080
Total Net Assets	$ 174,052

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Operating Revenues	
Foundation Payments	$ 2,080,667
Poverty Based Assistance	379,964
Special Education	91,170
Food Services	2,667
Classroom Fees	736
Extracurricular Activities	122
Other Revenues	12,816
Total Operating Revenues	2,568,142
Operating Expenses	
Salaries	1,971,182
Fringe Benefits	591,415
Purchased Services	1,024,990
Materials and Supplies	242,152
Depreciation	95,339
Other	16,716
Total Operating Expenses	3,941,794
Operating Loss	(1,373,652)
Non-Operating Revenues and Expenses	
Operating Grants - State	22,114
Operating Grants - Federal	826,751
Contributions and Donations	3,404
Interest Revenue	7,292
Interest and Fiscal Charges	(325)
Total Non-Operating Revenues and Expenses	859,236
Change in Net Assets	(514,416)
Net Assets Beginning of Year	688,468
Net Assets End of Year	$ 174,052

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 2,592,372
Cash Received from Food Services	2,667
Cash Received from Classroom Fees	736
Cash Received from Other Operating Sources	21,501
Cash Payments to Suppliers for Goods and Services	(1,259,734)
Cash Payments to Employees for Services	(1,901,738)
Cash Payments for Employee Benefits	(750,031)
Net Cash Used for Operating Activities	(1,294,227)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received - State	22,333
Operating Grants Received - Federal	794,257
Contribution and Donations	3,404
Net Cash Provided by Noncapital Financing Activities	819,994
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(74,042)
Principal Payments	(2,936)
Interest Payments	(325)
Net Cash Used for Capital and Related Financing Activities	(77,303)
Cash Flows from Investing Activities:	
Cash Received from Interest on Investments	7,292
Net Cash Provided by Investing Activities	7,292
Net Decrease in Cash and Cash Equivalents	(544,244)
Cash and Cash Equivalents at Beginning of Year	548,091
Cash and Cash Equivalents at End of Year	$ 3,847

(Continued)

TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (1,373,652)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	95,339
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	9,863
Increase in Prepaid Items	(47,849)
Decrease in Accounts Payable	(7,267)
Increase in Accrued Wages and Benefits	69,444
Decrease in Intergovernmental Payable	(40,105)
Total Adjustments	79,425
Net Cash Used for Operating Activities	$ (1,294,227)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Toledo Academy of Learning (the Academy) is a State nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy's objective is to bridge the gap between families, educators, and the community to form a supportive network dedicated to fostering excellence and innovation in education. The developmental program is offered year-round for students in kindergarten through grade twelve who are average, at risk, special needs, or gifted. 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.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for contracts commencing July 19, 1999. 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 sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Toledo Academy of Learning (see note 9).

The Academy operates under the direction of a seven-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 16 non-certified and 28 certificated full-time teaching personnel who provide services to 349 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, 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.

A. 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.

B. Measurement Focus

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

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

C. 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.

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.

D. Budgetary Process
The Academy is required to submit a five-year budget forecast with the Ohio Department of Education, c/o Superintendent of Public Instruction.

E. Cash and Cash Equivalents
All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the Statement of Net Assets, investments with original maturities of three months or less, at the time they are purchased by the Academy, are considered to be cash equivalents. During the year ended June 30, 2006, the Academy only had deposits.

F. Capital Assets and Depreciation
All capital assets are capitalized at 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 five hundred dollars. The Academy does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Description	Estimated Lives
Leasehold Improvements	5 years
Furniture and Equipment	5 years

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Poverty Based Assistance Program, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

H. 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 services are consumed.

I. Security Deposits

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. The amount, totaling $12,064, is held by the lessor.

J. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

K. 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 good or service that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

At fiscal year end June 30, 2006, the bank balance was $31,514. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006. None of the bank balance was exposed to custodial risk as discussed below, while $31,514 of the bank balance was covered by the Federal Depository Insurance Corporation.

A. Deposits (Continued)

The Academy has no deposit policy for custodial credit risk beyond the requirements of State statue. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

B. Investments

As of June 30, 2006, the Academy's investments were limited to a Business Sweep Account (repurchase agreement) totaling $5,025 (reported amount and fair value), all of which was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy has no investment policy dealing with investment custodial credit risk.

NOTE 4 - RECEIVABLES

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

A summary of the principal items of accounts and intergovernmental receivables follows:

Receivables	Amounts
Accounts	$ 3,437
Intergovernmental:	
Breakfast and Lunch Programs	24,090
IDEA-B '06 - Special Ed.	12,439
Title I '06 - Schoolwide	25,715
Title V '06	32
Title IV '06	267
Title IIA '06	23,617
21st Century	15,473
Total Intergovernmental Receivables	$ 101,633
Total Receivables	$ 105,070

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

	Balance 6/30/05	Additions	Deletions	Balance 06/30/06
Capital Assets Being Depreciated				
Furniture and Equipment	$ 368,570	$ 74,042	$ -	$ 442,612
Leasehold Improvements	127,370			127,370
Total Capital Assets Being Depreciated	495,940	74,042		569,982
Less Accumulated Depreciation:				
Furniture and Equipment	(240,771)	(69,866)		(310,637)
Leasehold Improvements	(81,900)	(25,473)		(107,373)
Total Accumulated Depreciation	(322,671)	(95,339)		(418,010)
Total Capital Assets Being Depreciated, Net	$ 173,269	$ (21,297)	$ -	$ 151,972

NOTE 6 - RISK MANAGEMENT

A. 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 Cincinnati Insurance Company for general liability and property insurance and educational errors and omissions insurance. Coverages are as follows:

Commercial Property ($1,000 deductible)	$ 2,160,000
Commercial General Liability per Occurrence	1,000,000
Commercial General Liability Aggregate	1,000,000
Commercial General Liability Personal & Advertising Injury	1,000,000
Teacher’s Professional Liability per Occurrence	1,000,000
Teacher’s Professional Liability Aggregate	1,000,000

The Academy owns no real estate, but leases a facility located at 301 Collingwood Boulevard, Toledo, Ohio (See Note 11).

B. 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.

C. Employee Medical, Dental, Vision, Prescription, and Life Benefits

The Academy has contracted with private carriers to provide employee medical, dental, vision, prescription, and life insurance to its full time employees who work 40 or more hours per week.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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 supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

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 2006, 10.58 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 $69,061, $54,333, and $33,364, respectively; 100 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. 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. STRS Ohio issues a stand-alone financial report that may be obtained 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NOTE 7 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were $115,001, $147,296, and $85,359, respectively; 100 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were $124,566 made by the Academy and $30,184 made by the plan members.

NOTE 8 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the 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. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled $12,545 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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.

NOTE 8 - 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. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled $11,109.

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. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were $178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 9 – FISCAL AGENT

The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. The amount paid to the Fiscal Agent for fiscal year 2006 totaled $65,822 in administrative fees and $11,727 in sponsorship fees.

On June 30, 2006, the Academy terminated the service agreement with the Sponsor. Due to termination of the contract, the Lucas County Educational Service Center ensured that all sponsorship and fiscal fees were paid prior to year end. As such, there were no liabilities accrued for the fiscal year ended June 30, 2006.

The Treasurer of the Sponsor shall perform all of the following functions while serving as the Chief Financial Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor's or any other Community School's funds;

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

- Maintain all financial records of all state funds of the Academy and follow State Auditor procedures for receiving and expending state funds;

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

- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other Community School; and

NOTE 9 – FISCAL AGENT – (Continued)

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

NOTE 10 – PURCHASED SERVICES

For the period ended June 30, 2006, purchased service expenses were payments for services rendered as follows:

Professional and Technical Services	$ 378,620
Property Services	393,607
Travel Mileage/Meeting Expense	73,266
Communications	29,056
Utilities	910
Contracted Craft or Trade Services	110,596
Tuition	7,354
Pupil Transportation Services	31,037
Other	544
Total Purchased Services	$ 1,024,990

NOTE 11 – OPERATING LEASES

The Academy renewed a building lease agreement with NZB Limited Liability Company commencing September 1, 2004 through August 31, 2009. The base rent for the renewed term is $1,979,966 payable in equal installments of $30,461 per month the first year, $31,667 per month the second, $32,956 per month the third, $34,262 per month the four, and $35,652 per month the final year. The Academy paid $347,131 in rent during the year.

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

Year Ending June 30,	Facility Rental
2007	394,183
2008	409,838
2009	426,434
2010	106,956
Total	$ 1,337,411

NOTE 12 – CAPITALIZED LEASE – LESSEE DISCLOSURE

In August of 2003, the Academy entered into a capitalized lease for an upgrade to their security system. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date. Payments due totaled $3,261 for the year, which concluded the lease.

NOTE 13 - CONTINGENCIES

A. 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.

B. 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 of the State, upon which state foundation funding is calculated. For fiscal year 2006, the results of this review resulted in a decrease of $40,571. This amount was recorded as a payable on the financial statements. This amount will be deducted from the Academy's foundation settlement payments beginning December 2006 until the balance is paid in full.

C. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Toledo Academy of Learning is not presently determinable.

NOTE 14 – RELATED PARTY

The Academy's Governing Board entered into an employment contract with the Assistant Director. The Assistant Director's spouse is a member of the Governing Board, but abstains from voting on the Assistant Director's contract. Total payments to the Assistant Director during the audit period totaled $37,632.

NOTE 15 – SUBSEQUENT EVENT

A. Fiscal Agent and Sponsor

Beginning July 1, 2006, the Academy entered into a sponsorship contract with Richland Academy of the Arts and a fiscal agent contract with Innovative Learning Solutions. In April 2007, the Academy terminated its fiscal agent contract with Innovative Learning Solutions, and entered into a fiscal agent contract with Mangen & Associates.

NOTE 15 – SUBSEQUENT EVENT – (Continued)

B. Operating Leases

In July 2006, the Academy entered into a property lease with Byrne Road Investments Ltd. for a high school building facility, with a five-year lease term commencing August 1, 2006 and terminating July 31, 2011. The base rent for the term is $951,500 payable in equal installments of $16,792 per month for the first year, $14,583 per month for the second year, $15,625 per month for the third and four years, and $16,667 per month for the final year.

In August 2006, the Academy entered into additional business property leases with MFB Hamilton Properties, Ltd for additional spaces to serve as a temporary high school building facility and a high school lunch room. The terms of these lease are for one year commencing August 2006 and terminating July 2007. Monthly rent installments of $2,450 and $550, respectively, are required.

C. Debt

In August 2006, the Academy entered into an agreement with Richland Bank for a line of credit, in an amount up to $450,000, with a maturity date of November 4, 2006, for the express purpose of paying consulting fees. The line of credit bears a variable interest rate of 10.25 percent per annum, with interest payable monthly.

TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR JUNE 30, 2006

FEDERAL GRANTOR/ ***Pass Through Grantor*** Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Disburse-ments
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	05PU-2005	10.553	$ 6,968	$ 6,968
School Breakfast Program	05PU-2006	10.553	23,128	23,128
Total School Breakfast Program			30,096	30,096
National School Lunch Program	LLP1-2005	10.555	654	654
National School Lunch Program	LLP1-2006	10.555	1,295	1,295
National School Lunch Program	LLP4-2005	10.555	18,719	18,719
National School Lunch Program	LLP4-2006	10.555	58,132	58,132
Total National School Lunch Program			78,800	78,800
Total Nutrition Cluster			108,896	108,896
Total U.S. Department of Agriculture			**108,896**	**108,896**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I Grants to Local Educational Agencies	C1S1-2005	84.010	42,516	44,970
	C1S1-2006	84.010	242,657	234,860
Total Title I Grants			285,173	279,830
Special Education_Grants to States	6BSF-2005	84.027	8,027	12,122
	6BSF-2006	84.027	89,427	84,180
Total Special Education Grants to States			97,454	96,302
Safe and Drug - Free Schools and Communities_State Grants	DRS1-2005	84.186	153	
	DRS1-2006	84.186	7,010	4,809
Total Safe and Drug-Free Grants			7,163	4,809
Twenty - First Century Community Learning Centers	T1S1-2005	84.287		(32)
	T1S1-2006	84.287	162,351	173,525
Total Twenty-First Century Community Grants			162,351	173,493
State Grants for Innovative Programs	C2S1-2005	84.298	1,239	
	C2S1-2006	84.298	1,392	1,425
Total State Grants Innovative Programs			2,631	1,425
Education Technology State Grants	TJS1-2005	84.318	(50)	
	TJS1-2006	84.318	4,310	3,663
Title II-D Enhancing Education Through Technology (EETT)	TJSL-2006	84.318	124,000	123,228
Total Education Technology State Grants			128,260	126,891
Improving Teacher Quality State Grants	TRS1-2005	84.367		17
	TRS1-2006	84.367	2,328	24,805
Total Improving Teacher Quality State Grants			2,328	24,822
Total U.S. Department of Education			**685,360**	**707,572**
Total Federal Awards Receipts and Expenditures			**$ 794,256**	**$ 816,468**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Toledo Academy of Learning's (the Academy) federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Academy contribute non-federal funds (matching funds) to support the federally-funded programs. The Academy has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Toledo Academy of Learning
Lucas County
301 Collingwood Blvd.
Toledo, Ohio 43604-8624

To the Governing Board:

We have audited the basic financial statements of the Toledo Academy of Learning, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2006, and have issued our report thereon dated June 29, 2007. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated June 29, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We intend this report solely for the information and use of management, the Governing Board, Sponsor, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 29, 2007

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Toledo Academy of Learning
Lucas County
301 Collingwood Blvd.
Toledo, Ohio 43604-8624

To the Governing Board:

Compliance

We have audited the compliance of the Toledo Academy of Learning, Lucas County, Ohio (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 apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

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Internal Control over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Governing Board, Sponsor, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 29, 2007

TOLEDO ACADEMY OF LEARNING
LUCAS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	• CFDA # 84.010: Title I Grants to Local Educational Agencies • CFDA # 84.287: Twenty-First Century Community Learning Centers
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

TOLEDO ACADEMY OF LEARNING

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
AUGUST 21, 2007