ASPIRE ACADEMY
STARK COUNTY, OHIO

(A Component Unit of Canton Local School District)

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

A. MICHAEL BICHSEL, TREASURER

Mary Taylor, CPA
Auditor of State

Board of Directors
Aspire Academy
4526 Ridge Ave. S. E.
Canton, Ohio 44707

We have reviewed the *Independent Auditor's Report* of the Aspire Academy, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Aspire Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 19, 2007

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ASPIRE ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO
FOR FISCAL YEAR ENDED JUNE 30, 2007

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Directors
Aspire Academy
4526 Ridge Avenue, S.E.
Canton, Ohio 44707

We have audited the accompanying financial statements of the Aspire Academy (A Component Unit of Canton Local School District), Stark County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise the Aspire Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Aspire 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Aspire Academy, as of June 30, 2007, and the respective changes in financial position and its cash flows for the fiscal 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 November 21, 2007, on our consideration of the Aspire Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 21, 2007

ASPIRE ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The management's discussion and analysis of the Aspire Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets were $7,149 at June 30, 2007.

- The Academy had operating revenues of $297,830, operating expenses of $270,071 and non-operating revenues of $4,492 for fiscal year 2007. Total change in net assets for the period was an increase of $32,251.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 6 and 7 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

The table below provides a summary of the Academy's net assets for the fiscal year ended June 30, 2007 and 2006.

Net Assets

	2007	2006
Assets		
Current assets	$ 1,550	$ 3,292
Capital assets, net	5,599	7,199
Total assets	7,149	10,491
Liabilities		
Current liabilities	-	35,593
Total liabilities	-	35,593
Net Assets		
Invested in capital assets	5,599	7,199
Restricted	80	2,573
Unrestricted (deficit)	1,470	(34,874)
Total net assets	$ 7,149	$ (25,102)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Academy's net assets totaled $7,149.

A portion of the Academy's net assets, $80, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of $1,470 may be used to meet the Academy's ongoing obligation to the students and creditors.

At June 30, 2007, capital assets represented 78.32% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

ASPIRE ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

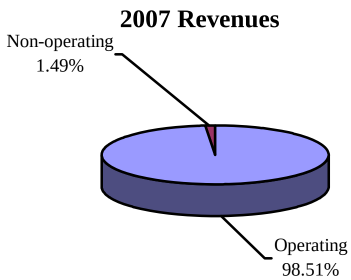
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

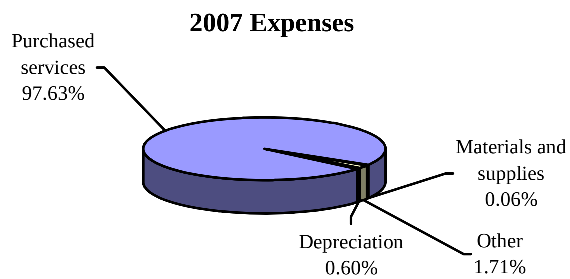
The table below shows the changes in net assets for fiscal years ended June 30, 2007 and 2006.

Change in Net Assets

	2007	2006
Operating Revenues:		
State foundation	$ 297,830	$ 269,401
Other	-	244
Total operating revenue	297,830	269,645
Operating Expenses:		
Purchased services	263,679	317,455
Materials and supplies	170	1,901
Depreciation	1,600	800
Other	4,622	1,151
Total operating expenses	270,071	321,307
Non-operating Revenues:		
Federal and state grants	4,492	5,573
Total non-operating revenues	4,492	5,573
Change in net assets	32,251	(46,089)
Net assets at beginning of year	(25,102)	20,987
Net assets at end of year	$ 7,149	$ (25,102)

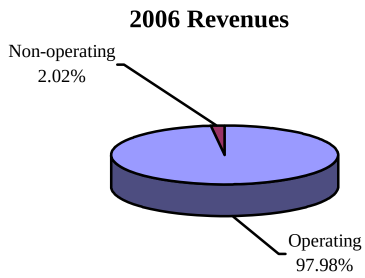
The charts below illustrate the revenues and expenses for the Academy for the fiscal year ended June 30, 2007 and 2006. Operating revenue increased during fiscal year 2007 because the Academy received more State Foundation revenue due to an increased number of students. Purchased services expenses decreased due to a decrease in educational services expenses paid to the Sponsor. At the end of fiscal year 2006, the Academy owed the Sponsor $35,593. The Academy recognized this expense in fiscal year 2006. The District did not owe any amounts to the Sponsor at June 30, 2007.

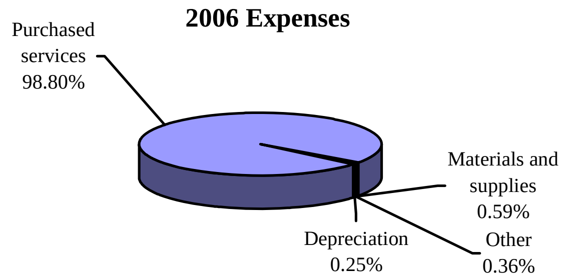




ASPIRE ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007





Capital Assets

At June 30, 2007, the Academy had $5,599 invested in computers and equipment. See Note 8 to the basic financial statements for more detail on capital assets. The capital assets decreased $1,600 due to depreciation of the assets. There were no additions to capital assets during fiscal year 2007.

Current Financial Related Activities

The Academy is sponsored by Canton Local School District. The Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, online learning to students.

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

Contacting the Digital Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. A. Michael Bichsel, Treasurer, Aspire Academy, 4526 Ridge Avenue, Canton, Ohio 44707.

BASIC
FINANCIAL STATEMENTS

ASPIRE ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:		
Current assets:		
Cash and cash equivalents	$	728
Receivables:		
Intergovernmental		80
Prepayments		742
Total current assets		1,550
Non-current assets:		
Capital assets, net		5,599
Total assets		7,149
Net Assets:		
Invested in capital assets		5,599
Restricted for:		
Federally funded programs		80
Unrestricted		1,470
Total net assets	$	7,149

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ASPIRE ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating revenues:	
State foundation.	$ 297,830
Total operating revenue	297,830
Operating expenses:	
Purchased services.	263,679
Materials and supplies	170
Depreciation	1,600
Other	4,622
Total operating expenses.	270,071
Operating income.	27,759
Non-operating revenues:	
Federal and state grants	4,492
Total non-operating revenues	4,492
Change in net assets	32,251
Net assets (deficit) at beginning of year . .	(25,102)
Net assets at end of year.	$ 7,149

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ASPIRE ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:		
Cash received from State foundation.	$	297,830
Cash payments to suppliers for goods and services . .		(299,295)
Cash payments for materials and supplies		(170)
Cash payments for other expenses		(4,622)
Net cash used in operating activities		(6,257)
Cash flows from noncapital financing activities:		
Federal and state grants.		6,751
Net cash provided by noncapital financing activities		6,751
Net increase in cash and cash equivalents		494
Cash and cash equivalents at beginning of year. . .		234
Cash and cash equivalents at end of year.	$	728
Reconciliation of operating income to net cash used in operating activities: operating activities:		
Operating income	$	27,759
Adjustments:		
Depreciation.		1,600
Changes in assets and liabilities:		
(Increase) in prepayments.		(23)
(Decrease) in intergovernmental payable		(35,593)
Net cash used in operating activities	$	(6,257)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Aspire Academy (the "Academy") is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a conversion school in Canton Local School District (the "Sponsor") addressing the needs of middle school students. 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. 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 is considered a component unit of the Canton Local School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Academy offers a rigorous and relevant curriculum that incorporates the high infusion of technology to reach a diverse student population. The Academy is designed for middle school students who have a desire for, and whose education can be optimized by, a program that includes a focus on rigor, relevance, relationships, respect, and responsibility built into an interdisciplinary hands-on collaborative approach to education. Student learning is individualized to meet their needs while providing opportunities to work as collaborators, investigators, and problem solvers. This population may include, but will not be limited to, students who need an alternative to the traditional classroom for various reasons, including students within the Sponsor school district that desire an alternative approach to instruction. The program will permit the use of a highly technology infused and engaging instructional delivery for each individual student.

The Academy provides a unique opportunity to attract and serve certain students who may be currently struggling to fit and/or those students who feel disengaged or disenfranchised with the traditional classroom setting and who may benefit from an alternative approach.

The Academy was approved under contract with the Sponsor for a period of five years commencing May 2, 2005 through June 30, 2010 after which, the Academy must apply for an additional contract with the Sponsor. The Academy began operations on August 23, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Board of Directors is responsible for the operations of the Academy.

The Academy operates under the direction of a five-member Board of Directors (the "Board'). The Board is composed of the Sponsor's Superintendent, the Sponsor's Curriculum Director, and the Sponsor's Director of Technology. The Board also includes two other persons who are neither officers nor staff members of the Academy or Sponsor to serve as voting members. One of these members is a public educator and the other is a person to represent the interests of parents and students served by the Academy. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

The Sponsor, under a purchased services basis with the Academy, provides planning, instructional, administrative and technical services. Personnel providing services to the Academy on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions. The Academy provides services to approximately fifty students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

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 difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy’s contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

D. Cash

All monies received by the Academy are deposited in a demand deposit account.

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

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2007, the Academy did not have any net assets restricted by enabling legislation.

F. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which it is earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. Federal and State grant revenue for the fiscal year ending June 30, 2007 received by the Academy was $4,492.

G. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of $5,000. The Academy does not have 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 capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over five years.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

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

I. Prepayments

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which service are consumed.

J. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - DEPOSITS

At June 30, 2007, the carrying amount of the Academy's deposits and the bank balance was $728. The entire bank balance was covered by federal depository insurance.

NOTE 4 - RECEIVABLES

At June 30, 2007, receivables consisted of intergovernmental revenues which are considered collectible within one year and presented on the statement of net assets in the amount of $80.

NOTE 5 - RISK MANAGEMENT

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 contracted personnel; and natural disasters. For fiscal year 2007, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Leonard Insurance Services in the following amounts: Treasurer $50,000 and Board of Directors $20,000.

Settled claims have not exceeded commercial coverage in the past two years. There was no significant reduction in coverage from the prior fiscal year.

NOTE 6 - PURCHASED SERVICES

During fiscal year 2007, purchased services expenses were as follows:

Professional and technical services	$ 3,900
Instructional services	259,779
Total	$ 263,679

NOTE 7 - SERVICE AGREEMENT

The Community School Sponsorship Contract (the "Contract") between the Academy and the Canton Local School District (as Sponsor) outlined the specific payments to be made by the Academy to the Sponsor during fiscal year 2007. The Contract stated that the two parties agreed to pay mutually agreed upon amounts, including fees for any services provided to the Academy by the Sponsor. The following payments were made during fiscal year 2007 from the Academy to the Sponsor:

Educational services	$262,469

Additionally, the Contract allows, based on mutual agreement, for the payment of $150 per student per year from the Academy to the Sponsor, in accordance with Ohio Revised Code 3314.08.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for year ending June 30, 2007, was as follows:

	Balance at 06/30/06	Additions	Disposals	Balance at 6/30/07
Furniture and equipment	$ 7,999	$ -	$ -	$ 7,999
Less: accumulated depreciation	(800)	(1,600)	-	(2,400)
Capital assets, net	$ 7,199	$ (1,600)	$ -	$ 5,599

NOTE 9 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

B. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division, in October, 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ratifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

NOTE 10 - PENSION PLANS

The Academy has contracted with its Sponsor to provide employee services and pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy ultimately responsible for remitting contributions to each of the systems noted below:

A. School Employees Retirement System

The Academy's Sponsor 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 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 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 statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for fiscal year ended 2007 were paid by the Academy's Sponsor.

B. State Teachers Retirement System

The Academy's Sponsor 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 or by calling (614) 227-4090, or by visiting the website at www.strsoh.org.

NOTE 10 - PENSION PLANS - (Continued)

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 times 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.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2007, 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 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to STRS Ohio for fiscal year ended 2007 were paid by the Academy's Sponsor.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System 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 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 funded 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 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, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was $3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were $282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

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 year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were $158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of $295.6 million. At June 30, 2006 (the latest information available), SERS has 59,492 participants currently receiving health care benefits.

The Academy's required contributions for post employment benefit obligations to STRS Ohio and SERS were paid by the Academy's sponsor.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Aspire Academy
4526 Ridge Avenue, S.E.
Canton, Ohio 44707

We have audited the financial statements of the Aspire Academy (a component unit of Canton Local School District) as of and for the fiscal year ended June 30, 2007, which collectively comprise Aspire Academy's basic financial statements and have issued our report thereon dated November 21, 2007. 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 Aspire Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Aspire Academy's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Aspire Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Aspire Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Aspire Academy's financial statements that is more than inconsequential will not be prevented or detected by the Aspire Academy's internal control.

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

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

Board of Directors
Aspire Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Aspire Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the management and Board of Directors of the Aspire Academy and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 21, 2007

Mary Taylor, CPA
Auditor of State

ASPIRE ACADEMY

STARK 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
JANUARY 3, 2008

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