



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**ACADEMY OF BUSINESS AND TECHNOLOGY  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Academy of Business and Technology  
Lucas County  
1462 Woodland Avenue  
Toledo, Ohio 43607-3977

To the Governing Board:

We have audited the Balance Sheet of the Academy of Business and Technology, Lucas County, (Academy) as of June 30, 2000, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the period August 15, 1999 through June 30, 2000. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2000, and the results of operations and its cash flows for the period then ended in conformity with generally accepted accounting principles.

As discussed in Note 13, the Academy has not applied for federal tax exemption pursuant to Internal Revenue Code Section 501(c)(3). The Academy has made no provisions for any potential tax liability which could result if exempt status is not obtained.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2001 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

May 7, 2001

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**ACADEMY OF BUSINESS AND TECHNOLOGY  
BALANCE SHEET  
AS OF JUNE 30, 2000**

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**Assets**

Current Assets

Cash and Cash Equivalents with Fiscal Agent	\$ 307
Accounts Receivable	26,813
Prepaid Items	<u>12,260</u>
Total Current Assets	39,380

Non-Current Assets

Fixed Assets (Net of Accumulated Depreciation)	<u>180,120</u>
Total Assets	<u><u>\$ 219,500</u></u>

**Liabilities and Fund Equity**

Current Liabilities

Accounts Payable	\$ 138,226
Accrued Wages	30,836
Intergovernmental Payable	<u>44,266</u>
Total Liabilities	213,328

Fund Equity

Retained Earnings	
Unreserved	<u>6,172</u>
Total Liabilities and Fund Equity	<u><u>\$ 219,500</u></u>

*The notes to the financial statements are an integral part of this statement.*

**ACADEMY OF BUSINESS AND TECHNOLOGY  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
FOR THE PERIOD AUGUST 15, 1999 THROUGH JUNE 30, 2000**

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**Operating Revenues**

Foundation Payments	\$ 1,148,851
Disadvantaged Pupil Impact Aid	<u>334,338</u>
Total Operating Revenues	<u>1,483,189</u>

**Operating Expenses**

Salaries	535,610
Fringe Benefits	127,205
Purchased Services	725,132
Materials and Supplies	101,040
Depreciation	<u>45,030</u>
Total Operating Expenses	<u>1,534,017</u>
Operating Loss	<u>(50,828)</u>

**Non-Operating Revenues (Expenses)**

Operating Grants - State	7,000
Operating Grants - Federal	50,000
Loan from Management Company	205,000
Repayment of Loan from Management Company	<u>(205,000)</u>
Total Non-Operating Revenues (Expenses)	<u>57,000</u>
Net Income	6,172
Retained Earnings at Beginning of Period	<u>-</u>
Retained Earnings at End of Period	<u>\$ 6,172</u>

*The notes to the financial statements are an integral part of this statement.*

**ACADEMY OF BUSINESS AND TECHNOLOGY  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD AUGUST 15, 1999 THROUGH JUNE 30, 2000**

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**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from State Foundation and Disadvantaged Pupil Impact Aid	\$ 1,483,189
Cash Payments to Suppliers for Goods and Services	(733,257)
Cash Payments to Employees for Services	(504,774)
Cash Payments for Employee Benefits	<u>(76,701)</u>
Net Cash Provided By Operating Activities	168,457

**Cash Flows from Noncapital Financing Activities**

Operating Grants Received - State	7,000
Operating Grants Received - Federal	50,000
Advances from Management Company	205,000
Repayment of Advances from Management Company	<u>(205,000)</u>
Net Cash Provided by Noncapital Financing Activities	57,000

**Cash Flows from Capital and Related Financing Activities**

Payments for Capital Acquisitions	<u>(225,150)</u>
Net Cash Used for Capital and Related Financing Activities	(225,150)
Net Increase in Cash and Cash Equivalents	307
Cash and Cash Equivalents at the Beginning of the Year	<u>-</u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$ 307</u></u>

(Continued)

**ACADEMY OF BUSINESS AND TECHNOLOGY  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD AUGUST 15, 1999 THROUGH JUNE 30, 2000  
(Continued)**

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**Reconciliation of Operating Loss to  
Net Cash Provided by (Used for) Operating Activities**

Operating Loss	\$ (50,828)
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**Adjustments to Reconcile Operating Loss to  
Net Cash Used for Operating Activities**

Depreciation	45,030
Changes in Assets and Liabilities	
Increase in Prepaid Items	(12,260)
Increase in Accounts Receivable	(26,813)
Increase in Accounts Payable	138,226
Increase in Accrued Wages Payable	30,836
Increase in Intergovernmental Payable	<u>44,266</u>
Total Adjustments	<u>219,285</u>
Net Cash Provided by Operating Activities	<u>\$ 168,457</u>

*The notes to the financial statements are an integral part of this statement.*

**ACADEMY OF BUSINESS AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Academy of Business and Technology (Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's objective is to prepare all students to be successful citizens, cooperative workers and profitable entrepreneurs by developing their unique potential. This program is offered for students in kindergarten through sixth grade. 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 school.

The Academy was approved for operation under a contract with the University of Toledo Charter School Council (the Sponsor) for a period of five years commencing August 15, 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. In consideration of permitting the creation of the Academy, the Academy makes annual payments of 3% of the total state and federal funds received each year to the Sponsor.

The Academy operates under the direction of a five-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 with a staffing level of 9 non-certified and 13 certificated full time teaching personnel who provide services to 273 students.

The Governing Board has entered into a management contract with Charter School Administration Services, Inc. (CSAS), to provide consulting services including teacher training, curriculum development, financial management, and State relations. (See Note 15).

**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, 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**

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

**ACADEMY OF BUSINESS AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**  
**(Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by its 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 balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., 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 used 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 Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

**D. Cash and Cash Equivalents**

All monies received by the Academy are accounted for by the Academy's management company, the Charter School Administration Services, Inc. (CSAS), which serves as the Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name. Monies for all funds of the Academy are maintained in this account or temporarily used to purchase short-term investments. For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

**E. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the dates received. 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 capitalized.

Depreciation of furniture and equipment and leasehold improvements is computed using the straight-line method over an estimated useful life of five years.

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

**ACADEMY OF BUSINESS AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**  
**(Continued)**

The Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$50,000 to offset start-up costs of the school. Revenues from these programs are recognized as non-operating revenue on the accompanying financial statements.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year the services are consumed.

**3. DEPOSITS AND INVESTMENTS**

The following information classifies deposits and investment by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At June 30, 2000, the carrying amount of the Academy' deposits was \$307 and the bank balance was \$220,310. At June 30, 2000 \$120,310 of deposits were not insured or collateralized.

**4. RECEIVABLES**

Receivables at June 30, 2000, consisted of accounts receivables from the management company. Accounts receivable are considered collectible in full.

**5. FIXED ASSETS**

A summary of the Academy's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$ 61,284
Leasehold Improvements	163,866
Subtotal	<u>225,150</u>
Less: Accumulated Depreciation	<u>(45,030)</u>
Net Fixed Assets	<u><u>\$ 180,120</u></u>

**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. For the period August 15, 1999 through June 30, 2000, the Academy contracted with Employers Mutual Casualty Company for property and general liability insurance.

Professional liability is protected by Employers Mutual Casualty Company with a \$1,000,000 single occurrence limit and \$2,000,000 aggregate and no deductible.

**ACADEMY OF BUSINESS AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**  
**(Continued)**

**B. Workers' Compensation**

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

**C. Employee Medical, Dental, 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.

**7. DEFINED BENEFIT PENSION PLANS**

**A. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose the Social Security System. As of June 30, 2000, the Academy has no employees or members of the governing board who contribute to the Social Security System.

**B. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. 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 contribution for pension obligations to SERS for the period August 15, 1999 through June 30, 2000 was \$2,869; 0 percent has been contributed for the period August 15, 1999 through June 30, 2000. The \$2,869 unpaid contribution for the period is recorded as a liability.

**C. State Teachers Retirement System**

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**ACADEMY OF BUSINESS AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**  
**(Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the Academy is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Academy's required contribution for pension obligations to STRS for the period August 15, 1999 through June 30, 2000 was \$29,007; 29.82 percent has been contributed for the period. The unpaid contribution for the period, in the amount of \$20,356 is recorded as a liability.

**8. POSTEMPLOYMENT BENEFITS**

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the period August 15, 1999 through June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$38,676 for the period.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this period, employer contributions to fund health care benefits were 8.5 percent of covered payroll. 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 the period August 15, 1999 through June 30, 2000, the minimum pay has been established at \$12,400. For the Academy, the amount to fund health care benefits, including the surcharge, was \$4,434 for the period August 15, 1999 through June 30, 2000. The \$4,434 unpaid contribution for the period is recorded as a liability.

**9. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the Academy. During the period ended June 30, 2000, the Academy recognized \$1,148,851 of school foundation support.

**ACADEMY OF BUSINESS AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**  
**(Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the Academy is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**10. CONTINGENCIES**

**Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. 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, 2000.

**11. OPERATING LEASES**

The Academy has entered into a sublease for the period August 1, 1999 through July 31, 2004 with "Academy of America, a Michigan non-profit corporation", which leases from "Covenant Development Corporation", to lease space to house the Academy. Payments made totaled \$38,060 for the period. The Academy has the option to renew the lease for an additional three-year term, with the rent increase(s) not to exceed four percent.

The Academy has entered into a lease commencing July 13, 1999 for a term of 36 months for a copier. Payments made totaled \$1,462 for the period. The copier is owned by SAVIN Credit Corporation. The Academy entered into an additional lease with SAVIN Credit Corporation for another copier, commencing March 16, 2000, for a term of 36 months. Payments made for the second copier totaled \$1,167 for the period.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2000.

**ACADEMY OF BUSINESS AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**  
**(Continued)**

Fiscal Year Ending June 30,	Facility Rental	Copiers
2001	\$41,520	\$7,172
2002	41,520	7,172
2003	41,520	4,544
2004	41,520	
2005	3,460	
Total minimum payments	<u>\$169,540</u>	<u>\$18,888</u>

**12. PURCHASED SERVICE EXPENSES**

For the period ended June 30, 2000, purchased service expenses were payments for services rendered, as follows:

***PURCHASED SERVICES***

Administration Fees to Sponsor <b>(See Note 1)</b>	\$43,964
Advertising	45,235
Consulting Fees	14,902
Insurance	10,087
Leased Equipment	8,029
Maintenance and Repairs	155,304
Management Company Fees <b>(See Note 15)</b>	169,421
Overhead Fees to Management Company <b>(See Note 16)</b>	201,201
Professional Fees	406
Rent	38,060
Telephone	9,541
Travel and Entertainment	7,503
Utilities	<u>21,479</u>
Total Purchased Services	<u><u>\$725,132</u></u>

**13. TAX EXEMPT STATUS**

The Academy has not filed for tax exempt status under § 501(c)(3) of the Internal Revenue Code. The Academy has made no provision for any potential future tax liability which could result from not obtaining the § 501(c)(3) tax exempt status.

**ACADEMY OF BUSINESS AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2000**  
**(Continued)**

**14. RELATED PARTY**

The president of the leasing company (Covenant Development Corp.) for the facilities that the Academy rents (see below) is a board member of the Academy of Business and Technology and is the husband of the principal of the school. The Covenant Development Corp. leases the school to the Academy of America (Michigan), which sub-leases to the Academy of Business and Technology. Two of the board members of the Academy of Business and Technology are also directors of the Academy of America (Michigan), as well as shareholders of Charter School Administration Services, Inc., the management company for the Academy of Business and Technology.

Total rent payments to Academy of America (Michigan) were \$38,060. Total payments to Charter School Administration Services, Inc. were \$370,622, which includes management fees and overhead fees.

**15. MANAGEMENT AGREEMENT**

The Academy entered into a five-year contract, effective August 1, 1999 through July 31, 2004, with Charter School Administration Services, Inc. for educational management services. In exchange for its services, CSAS receives a management fee equal to 11% of all revenue sources and is reimbursed for all cost incurred on behalf of the Academy. In addition, the Academy pays CSAS an annual incentive fee in an amount equal to fifty (50%) percent of the excess of revenue over expenditures. Terms of the contract require CSAS to provide the following:

- A. All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the Academy.
- B. Implementation and administration of the Educational Program, including the selection and acquisition of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- C. All personnel functions, including professional development for the School Administrator, all instructional personnel, and support staff.
- D. Control, maintenance, and operation of the school building, and the installation of technology integral to the school design.
- E. All aspects of the business administration of the Academy.
- F. Transportation and food service for the Academy.
- G. A projected annual budget prior to each school year.
- H. Detailed statements of all revenues received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request.
- I. Annual audits in compliance with state law and regulations, showing the manner in which funds are spent at the Academy.
- J. Reports on Academy operations, finances, and students' performance, upon request, but not less frequently than four (4) times per year.
- K. Any other function necessary or expedient for the administration of the Academy.

**ACADEMY OF BUSINESS AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**16. CONSORTIUM AGREEMENT**

On January 14, 2000 the Governing Board approved joining a consortium with sixteen other charter schools and public school academies, each of which is managed by Charter School Administration Services, Inc. under management agreements comparable to the Management Agreement between the Academy and CSAS. The members of the consortium including the Academy are:

<u>Academy</u>	<u>State of Operation</u>
Academy of Austin	Texas
Academy of Beaumont	Texas
Academy of Dallas	Texas
Academy of Detroit West	Michigan
Academy of Flint	Michigan
Academy of Houston	Texas
Academy of Inkster	Michigan
Academy of Kansas City	Missouri
Academy of Lathrup Village	Michigan
Academy of Michigan	Michigan
Academy of Oak Park	Michigan
Academy of San Antonio	Texas
Academy of Southfield	Michigan
Academy of Business & Technology	Ohio
Academy of Westland	Michigan
Cherry Hill School of Performing Arts	Michigan
TUMC Academy	Florida

The Management Agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 1999, and the experiences of CSAS in both incurring costs for consortium members and allocation of such costs to consortium members, the Academy and CSAS have agreed upon an equitable method of such allocation. Based upon the above count, the Academy shall pay CSAS, for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium, for the 1999-2000 school year, in an amount equal to \$67 per month per student enrolled at the Academy, totaling \$201,201 for the school year.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Academy of Business and Technology  
Lucas County  
1462 Woodland Avenue  
Toledo, Ohio 43607-3977

To the Governing Board:

We have audited the financial statements of the Academy of Business and Technology, Lucas County, (Academy) for the period August 15, 1999 through June 30, 2000, and have issued our report thereon dated May 7, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10148-001, 2000-10148-002, and 2000-10148-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Academy in a separate letter dated May 7, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-10148-004 and 2000-10148-005.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we believe item 2000-10148-004 is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Academy in a separate letter dated May 7, 2001.

This report is intended for the information and use of management, the Governing Board, and the Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

May 7, 2001

**ACADEMY OF BUSINESS AND TECHNOLOGY  
SCHEDULE OF FINDINGS  
FOR THE PERIOD ENDED JUNE 30, 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-10148-001**

**Noncompliance**

**Background Checks**

Ohio Rev. Code Section 3319.39(A)(1) provides, in pertinent part, that “the appointing or hiring officer of the board of education of a school district shall request the superintendent of the bureau of criminal identification and investigation to conduct a criminal records check with respect to any applicant who has applied to the school district or school for employment in any position as a person responsible for the care, custody, or control of a child.”

The Academy did not obtain criminal records checks on 15 of 37 of its employees.

We recommend the Academy adopt and implement policies and procedures requiring all employees, teaching and non-teaching, who come in contact with students, to have background checks performed, in accordance with the above-stated requirement. These policies and procedures should also include obtaining background checks of current employees.

**FINDING NUMBER 2000-10148-002**

**Noncompliance**

**Teacher Certifications**

Ohio Revised Code 3314.03 (A) (10) qualification of teachers, requires school classroom teachers be licensed in accordance with 3319.22 to 3319.31 of the Revised Code.

The Academy employed 19 teachers throughout the year; but was unable to provide verification of teacher certificates for 6 of the 19 teachers. We recommend the Academy adopt and implement policies to ensure that teachers employed by the Academy be certified and said certifications be maintained in their personnel files.

**FINDING NUMBER 2000-10148-003**

**Noncompliance**

**Retirement Contributions**

Ohio Rev. Code Section 3309.23 (A)(1) states that all employees as defined in division (B) of Section 3309.01 of the Revised Code shall be contributors of the School Employees Retirement System (SERS). Ohio Rev. Code Section 3309.01(B)(2) defines an employee as “any person who performs a service common to the normal daily operation of an educational unit even though the person is employed and paid by one who has contracted with an employer to perform the service”.

The Academy made contributions to the State Teachers Retirement System (STRS) for all employees. All non-teacher employees' contributions should be made to SERS. Subsequent to the balance sheet date, the Academy contacted SERS in regards to employee and employer contributions that were due, and are in the process of arranging payments for the estimated outstanding amount of \$7,303.

## FINDING NUMBER 2000-10148-004

### Material Weakness

#### Fixed Assets

The following control weaknesses over fixed assets exist:

- The Academy has not developed a fixed asset accounting system which maintains total fixed asset listings, by location, with tag identification numbers and other supplemental information.
- The Academy has not accurately developed and implemented procedures to assist in recording assets as additions when purchased, and deletions when disposed of throughout the fiscal year.
- The Academy has not developed and implemented procedures to perform periodic inventory of assets.
- The Governing Board has not developed a fixed asset policy wherein it sets forth the capitalization criteria for the Academy.

Failure to obtain timely records or employ adequate controls over the acquisition and disposal of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To maintain adequate safeguards over fixed assets, and to reduce the risk that the Academy's assets will be misstated, we recommend:

- The Governing Board develop and implement procedures to be performed throughout the year, for the recording and updating of fixed assets. These procedures should include tagging all assets meeting the Academy's capitalization criteria. Further, addition and disposal forms should be completed by the Academy and approved by management when assets are acquired or disposed. This information should then be entered on a fixed asset accounting system, recording such information as the tag number, a description of the item, the cost, the acquisition date, location and any other supporting documentation.
- The Academy develop and implement procedures for performing periodic (annual) physical inventories. The physical inventories can be performed by submitting a list of all fixed assets recorded to each location and having individuals responsible for that location perform the inventory of all assets in that location. The assets in each location should be compared to the listing provided, and any assets no longer used should be deleted and any assets included on the listing should be added. Any significant deficiency should be investigated and documented accordingly.

## FINDING NUMBER 2000-10148-005

### Reportable Condition

#### Tax Exempt Status

The Academy has not applied to the Internal Revenue Service to obtain tax exempt status pursuant to 26 USC 501(c)(3). Failure to be approved as a tax exempt entity could result in a federal tax liability to the Academy, and may jeopardize their ability to continue to operate as a community school pursuant to Ohio law. We recommend the Academy complete and file an application for tax exempt status with the Internal Revenue Service as soon as possible.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**ACADEMY OF BUSINESS AND TECHNOLOGY**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 29, 2001**