



Mary Taylor, CPA
Auditor of State

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Alternative Education Academy
Lucas County
1830 Adams Street
Toledo, Ohio 43624

To the Board of Directors:

We have audited the accompanying financial statements of the Alternative Education Academy, Lucas County, Ohio, (the School) as of and for the year ended June 30, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 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 Alternative Education Academy, Lucas County, Ohio, as of June 30, 2009 and the respective changes in financial position and cash flows thereof 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 February 12, 2010 on our consideration of the School'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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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 School's basic financial statements. The Federal Awards Revenues and Expenses Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and provides additional information which is not a required part of the basic financial statements. We subjected the Federal Awards Revenues and Expenses 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 12, 2010

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)**

The discussion and analysis of the Alternative Education Academy's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the 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 Governments* 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 \$18,629, which represents a 1.1 percent decrease from 2008. This was due to increase in the School's liabilities of \$63,542 which was offset by an increase in assets of \$44,913.
- Total assets increased \$44,913, which represents a 2.2 percent increase from 2008. This was due to a increase in current assets of \$17,541 and an increase in capital assets of \$27,372 during 2009.
- Liabilities increased \$63,542, which represents a 18.9 percent increase from 2008. The increase in liabilities is attributable to an increase in accounts payable.

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.

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2009. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)**

Table 1 provides a summary of the School's net assets for fiscal year 2009 and fiscal year 2008.

**Table 1
Statement of Net Assets**

	2009	2008
Assets		
Current Assets	\$2,060,633	\$2,043,092
Capital Assets, Net	<u>60,331</u>	<u>32,959</u>
Total Assets	<u>\$2,120,964</u>	<u>\$2,076,051</u>
Liabilities		
Current Liabilities	<u>\$398,927</u>	<u>\$335,385</u>
Net Assets		
Investment in Capital Assets	\$60,331	\$32,959
Unrestricted	<u>1,661,706</u>	<u>1,707,707</u>
Total Net Assets	<u>\$1,722,037</u>	<u>\$1,740,666</u>

Total assets increased \$44,913. This increase was due to an increase in current assets of \$17,541 and an increase in capital assets of \$27,372 during 2009. Liabilities increased \$63,542 from 2008. This increase in liabilities is attributable to an increase in accounts payable.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)**

Statement of Revenues, Expenses, and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2009 and fiscal year 2008, as well as a listing of revenues and expenses.

**Table 2
Change in Net Assets**

	<u>2009</u>	<u>2008</u>
Operating Revenue		
State Aid	\$ 12,172,059	\$ 12,660,850
Non-Operating Revenues		
Grants	1,189,508	1,053,198
Interest	25,402	76,310
Miscellaneous	-	216
	13,386,969	13,790,574
Operating Expenses		
Purchased Services: Management Fees	11,500,992	11,952,454
Purchased Services: Grant Programs	1,129,267	1,053,198
Sponsorship Fees	301,435	272,172
Legal	22,800	27,375
Auditing and Accounting	12,029	12,495
Insurance	13,909	12,074
Board of Education	367,581	207,859
Depreciation	32,870	29,910
Dues and Subscriptions	24,625	-
Miscellaneous	90	99
	13,405,598	13,567,636
Change in Net Assets	\$ (18,629)	\$ 222,938

The reason for the significant decrease in overall revenues from 2008 was primarily due to a decrease in the School's full-time equivalency (FTE) enrollment. The School's most significant expense, "Purchased Services: Management Fees" decreased as well because of the management agreement in place between the School and WHDL. The agreement provides that specific percentages of the revenues received by the School will be paid to WHDL to fund operations. (See Notes to the Basic Financial Statements, Note 10.)

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)**

Capital Assets

At the end of fiscal year 2009 the School had \$60,331 in computers and software which represented an increase of \$27,372 from 2008. Table 3 shows the respective balance for fiscal year 2008.

**Table 3
Capital Assets (Net of Depreciation)**

	<u>2009</u>	<u>2008</u>
Computers and Software	<u>\$ 60,331</u>	<u>\$ 32,959</u>

For more information on capital assets, see Note 8 in the Notes to the Basic Financial Statements.

Current Financial Issues

Alternative Education Academy received revenue for 1,936 students in 2009. Alternative Education Academy is different from many other schools as it provides education in a distance-learning environment to students in nearly every county in the State of Ohio. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries.

The School receives its support almost entirely from State Aid. Per pupil revenue for the School in fiscal year 2009 averaged \$6,287 with no change in State Basic Aid planned in fiscal year 2010.

Although there is a possibility that State Aid will be cut in future years due to the economic climate, the School feels that the relationship with the management company will insulate them from any significant change. The relationship brings stability to the School since specific percentages of revenues are payable to the management company (See Notes to the Basic Financials Statements, Note 10).

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Fiscal Officer for the Alternative Education Academy, 159 South Main Street, Suite 600, Akron, Ohio 44308.

ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

ASSETS

Current Assets

Cash and Cash Equivalents	\$	1,836,531
Continuing Fees Receivable		47,159
Sponsorship Fees Receivable		966
Grants Funding Receivable		175,977
		<hr/>

Total Current Assets 2,060,633

Noncurrent Assets

Capital Assets, Net		60,331
		<hr/>

Total Assets \$ 2,120,964

LIABILITIES

Current Liabilities

Accounts Payable	\$	123,599
State Funding Payable		49,613
Grants Funding Payable		225,715
		<hr/>

Total Liabilities \$ 398,927

NET ASSETS

Invested in Capital Assets	\$	60,331
Unrestricted		1,661,706
		<hr/>

Total Net Assets \$ 1,722,037

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

ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES

State Aid \$ 12,172,059

OPERATING EXPENSES

Purchased Services: Management Fees	11,500,992
Purchased Services: Grant Programs	1,129,267
Sponsorship Fees	301,435
Legal	22,800
Insurance	12,029
Auditing and Accounting	13,909
Board of Education	367,581
Dues and Subscriptions	24,625
Depreciation	32,870
Miscellaneous	90
Total Operating Expenses	<u>13,405,598</u>

Operating Loss **(1,233,539)**

NON-OPERATING REVENUES

Grants	1,189,508
Interest	<u>25,402</u>

Total Non-Operating Revenues **1,214,910**

Change in Net Assets **(18,629)**

Net Assets, July 1, 2008 **1,740,666**

Net Assets, June 30, 2009 **\$ 1,722,037**

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

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State and Federal Sources	\$ 12,113,306
Cash Payments to Suppliers for Goods and Services	<u>(13,194,526)</u>
Net Cash Used for Operating Activities	<u>(1,081,220)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Payments for Capital Acquisitions	(60,242)
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CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest	<u>25,402</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grant Programs	1,196,319
Net Increase in Cash and Cash Equivalents	80,259
Cash and Cash Equivalents at Beginning of Year	<u>1,756,272</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,836,531</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES**

Operating Loss	<u>\$ (1,233,539)</u>
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Depreciation	32,870
Changes in Assets and Liabilities:	
Continuing Fees Receivable	54,706
Sponsorship Fees Receivable	1,201
Accounts Payable	123,599
State Funding Payable	(58,753)
Grants Funding Payable	(1,304)
Total Adjustments	<u>152,319</u>
Net Cash Used for Operating Activities	<u>\$ (1,081,220)</u>

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

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**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Alternative Education Academy (the School) operating under the trade name as Ohio Distance and Electronic Learning Academy ("OHDELA") is a federal 501(c)(3) tax-exempt, state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with WHDL, LLC (WHDL) for most of its functions. (See Note 10.)

The School was sponsored and approved for operation under contract with the Ohio Council for Community Schools (OCCS) (Sponsor) for a period commencing on July 1, 2006, and extending through June 30, 2011. The School actually began operations on February 14, 2002. The School operates under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 School has one support facility, which is leased by WHDL. The School is staffed by teaching personnel employed by WHDL, who provided services to approximately 1,936 full-time equivalent students during the fiscal year ended June 30, 2009. The Board also operates the Life Skills Center of Toledo in the City of Toledo.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with GASB pronouncements. The School does not apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. BASIS OF PRESENTATION

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, 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.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. 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.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund 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 Statement of Net Assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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 traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2009. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account and STAROhio. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2009, investments were limited to the State Treasurer's Investment Pool, STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2009.

E. INTERGOVERNMENTAL REVENUES

The School currently participates in the State Foundation Program which is reflected under "State Aid" on the Statement of Revenues, Expenses, and Changes in Net Assets. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. INTERGOVERNMENTAL REVENUES (Continued)

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 School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2009 school year totaled \$13,361,567

F. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

As of June 30, 2009, the School's capital assets had a net book value of \$60,331. Depreciation is computed by the straight-line method over three years for "Computers & Software".

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHDL. (See Note 10.)

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets consist of capital assets, net of accumulated depreciation, and unrestricted net assets.

I. OPERATING REVENUES AND EXPENSES

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

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all School deposits was \$2,482. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, none of the School's bank balance of \$49,285 was exposed to custodial risk as discussed below, since all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

B. Investments

As of June 30, 2009, the School had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>Greater than 24 months</u>
STAROhio	<u>\$ 1,834,049</u>	<u>\$ 1,834,049</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAROhio an AAAM money market rating.

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAROhio	<u>\$ 1,834,049</u>	<u>100.00</u>

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

4. STATE FUNDING PAYABLE

The School has recognized on its Statement of Net Assets a "State Funding Payable" for the amount of State Aid directly related to FTE, estimated to be repaid by the School to the Ohio Department of Education (ODE) based on the difference in the amount the School actually received versus the amount earned through student full-time equivalent (FTE) enrollment as determined at the end of the year. A payable reflects that the School was funded on a higher estimated enrollment figure throughout the year than what the FTE enrollment figure was calculated to be at year-end. At June 30, 2009, the amount of "State Funding Payable" was \$49,613.

5. CONTINUING FEES RECEIVABLE

A "Continuing Fees Receivable" from WHDL has been recorded by the School in the amount of \$47,159 for 95 percent of the "State Funding Payable" due to the State for the FTE liability. (See Note 4.) Through the contractual agreement the 97% management fee is distributed to the sponsor (OCCS) and to the management company based on enrollment levels as listed below. Although the percent the management company and sponsor receive may vary, the total fees to the school total 97%.

The management Agreement fees are distributed based on the following:

<u># of Students</u>	<u>WHDL%</u>	<u>OCCS %</u>	<u>Total%</u>
1-1000	94	3	97
1001-2500	95	2	97
2500 or greater	96	1	97

6. GRANTS FUNDING RECEIVABLE/PAYABLE

The School has recorded "Grants Funding Receivable" in the amount of \$175,977 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2009.

Additionally, under the terms of the management agreement (See Note 10.), the School has recorded a liability to WHDL in the amount of \$225,715 for 100 percent of any State and Federal monies uncollected or unpaid to WHDL as of June 30, 2009.

7. SPONSORSHIP FEES RECEIVABLE

A "Sponsorship Fees Receivable" from OCCS has been recorded by the School in the amount of \$966 for the applicable percentage of the State Funding Payable due to the State for the FTE liability.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

8. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2009, the School's capital assets consisted of the following:

	Balance <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/09</u>
Capital Assets Being Depreciated				
Computers and Software	\$ 89,730	\$ 60,242	\$ -	\$ 149,972
Less Accumulated Depreciation:				
Computers and Software	<u>(56,771)</u>	<u>(32,870)</u>	<u>-</u>	<u>(89,641)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 32,959</u>	<u>\$ 27,372</u>	<u>\$ -</u>	<u>\$ 60,331</u>

9. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHDL, WHDL has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (See Note 10.). There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

Director and Officer - Coverage has been purchased by the School with a \$5,000,000 aggregate limit and a \$10,000 deductible.

10. AGREEMENT WITH WHDL, LLC

Effective March 30, 2009, the School entered into a revised Management Agreement (Agreement) that renews the agreement with WHDL until June 30, 2014. WHDL is an educational consulting and management company. The Agreement will renew for two additional, successive five (5) year terms unless one party notifies the other party on or before the February 1st prior to the expiration of the then-current term of its intention to not renew the agreement. Substantially all functions of the School have been contracted to WHDL. WHDL is responsible and accountable to the School's Board of Directors for the administration and operation of the school. The School is required to pay WHDL a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues", defined in the Agreement as all revenues and income received by the School except for charitable contributions. WHDL shall receive 100 percent of any and all grants or funding of any kind generated by WHDL, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any." The continuing fee is paid to WHDL based on the previous month's qualified gross revenues.

The School had purchased service expenses for the year ended June 30, 2009 of \$12,630,259. WHDL will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

11. SPONSORSHIP FEES

Under Paragraph D(4) of the sponsor contract with the OCCS, it states that the School "...shall pay to the Sponsor the amount of 3% of the total state funds received for the first 1,000 students received each year, 2% of the total state funds for the next 1,001-2,500 students received, and 1% of the total state funds after 2,500 students received each year, in consideration for the time, organization, oversight, fees, and costs of the Sponsor pursuant." Such fees are paid to the OCCS monthly. As indicated on the Statement of Revenues, Expenses, and Changes in Net Assets, the School incurred \$301,435 in sponsorship fees to OCCS.

12. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2009, White Hat Management Company, LLC incurred the following expenses on behalf of the School.

	<u>2009</u>
Expenses	
Direct Expenses:	
Salaries & wages	\$3,654,405
Employees' benefits	1,055,487
Professional & technical services	3,152,516
Property services	1,378,103
Travel	157,960
Communications	577,166
Utilities	190,518
Books, periodicals, & films	701,087
Other supplies	1,494,045
Depreciation	297,172
Interest	21,044
Other direct costs	385,206
Indirect Expenses:	
Overhead	<u>2,573,704</u>
Total Expenses	<u>\$15,638,413</u>

Overhead charges are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

The School has contracted with WHDL to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below: (See Note 10.)

A. School Employee Retirement System

Plan Description – WHDL, on behalf of the School, contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits: annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and WHDL, on behalf of the School, is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$59,324, \$64,565, and \$13,056, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

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

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. WHDL, on behalf of the School, was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, 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.

WHDL's required contributions on behalf of the School for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$403,690, \$380,583, and \$338,290 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$18,516 made by the School and \$40,293 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2009 there were no members that elected Social Security.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

14. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Postemployment Benefits - In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75 percent. WHDL's contributions on behalf of the School for the years ended June 30, 2009, 2008 and 2007 were \$4,895, \$4,652, and \$831 respectively, which equaled the required contributions each year.

Health Care Plan- ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. WHDL's contributions on behalf of the School assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$27,149, \$39,977, and \$13,929 respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (Continued)

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$28,835, \$29,276, and \$26,022 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

15. CONTINGENCIES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

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**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Revenues	Expenses
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Direct</i>			
Fund for the Improvement of Education	84.215	\$101,821	\$101,821
<i>Passed Through Ohio Department of Education</i>			
Special Education Grants to States (IDEA Part B)	84.027	426,446	426,446
Improving Teacher Quality State Grants	84.367	32,837	32,837
Education Technology State Grants	84.318	7,832	7,832
Grants to Local Educational Agencies (ESEA Title 1)	84.010	569,462	569,462
School Improvement Grant	84.377	60,000	60,000
Innovative Educational Program Strategies	84.298	1,463	1,463
Safe and Drug-Free Schools and Communities State Grants	84.186	<u>10,378</u>	<u>10,378</u>
Total U.S. Department of Education		<u>1,108,418</u>	<u>1,108,418</u>
Total		<u><u>\$1,210,239</u></u>	<u><u>\$1,210,239</u></u>

The accompanying notes are an integral part of this schedule.

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**NOTES TO THE FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Revenues and Expenses Schedule (the Schedule) reports the Alternative Education Academy's federal award programs' revenues and expenses. The Schedule has been prepared on the full accrual basis of accounting.

NOTE B - TRANSFERS BETWEEN PROGRAM YEARS

The School generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education authorized the following transfer:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2009 to 2010</u>
Title I Grants to Local Educational Agencies	84.010	\$50,527



Mary Taylor, CPA

Auditor of State

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

Alternative Education Academy
Lucas County
1830 Adams Street
Toledo, Ohio 43624

To the Board of Directors:

We have audited the financial statements of Alternative Education Academy, Lucas County, Ohio, (the School) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 12, 2010. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School'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*.

The School's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, the Community School's Sponsor, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 12, 2010



Mary Taylor, CPA

Auditor of State

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

Riverside Community School, Inc.
Hamilton County
3280 River Road
Cincinnati, Ohio 45204

To the Board of Directors:

Compliance

We have audited the compliance of Riverside Community School, Inc., Hamilton County, Ohio, (the School) 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 its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying Schedule of Findings identifies the School's major federal program. The School'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 School'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 School'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 School's compliance with those requirements.

In our opinion, the Riverside Community School, Inc. complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that the School's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

February 12, 2010

**ALTERNATIVE EDUCATION ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 – Grants to Local Educational Agencies (ESEA Title 1)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2009-001

Significant Deficiency – Federal Grant Awards

According to the management agreement 100% of federal grant funds received are to be paid to the management company. The fiscal year 2008 Title IIA, Title IID and Title VI (IDEA B) grant carryover amounts, totaling \$41,902, were improperly recorded as grant revenue and expense during fiscal year 2009. As this amount was already included as part of the grant award amount in the prior year, it should not be included again. Additionally, the Title I grant award was understated by \$13,742. This resulted in a net overstatement of grant revenue and grant expense by \$28,160, prior to an audit adjustment. The audit adjustments were posted to the statements and the client records, which prepares their ledgers on an accrual basis year round.

Since the School does not track grants within the accounting system by grant year, the Fiscal Officer should ensure all grant activity is properly recorded and prior year grant carryover balances are not added again to the grant award amounts. Additionally, the Fiscal Officer should review the Ohio Department of Education (ODE) funding application to ensure all grants are accurately recorded in the proper accounting period.

Officials' Response: Total Grant Revenue will be reconciled to the ODE funding applications and will be thoroughly compared to the grant summary page on the ODE website to verify only current year allocations are reflected in income.

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Alternative Education Academy
Lucas County
1830 Adams Street
Toledo, Ohio 43624

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether Alternative Education Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on November 14, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

February 12, 2010



Mary Taylor, CPA
Auditor of State

ALTERNATIVE EDUCATION ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 16, 2010