

**Academy of Business and Technology,  
Lucas County**

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**Financial Report  
June 30, 2010**





# Dave Yost • Auditor of State

Board of Directors  
Academy of Business and Technology  
Charter School Administration Services  
20820 Greenfield Road  
Oak Park, Michigan 48237

We have reviewed the *Independent Auditor's Report* of the Academy of Business and Technology, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Academy of Business and Technology is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 19, 2011

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# **Academy of Business and Technology, Lucas County**

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## Independent Auditor's Report

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

We have audited the accompanying basic financial statements of Academy of Business and Technology, Lucas County (the "Academy") as of and for the year ended June 30, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 16 to the financial statements, the Academy ceased operations and approved a plan of liquidation on May 12, 2010; the Academy commenced liquidation shortly thereafter. As a result, the Academy has changed its basis of accounting for the period subsequent to June 30, 2009 from the going-concern basis to a liquidation basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Business and Technology, Lucas County as of June 30, 2010 and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2011 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

*Plante & Moran, PLLC*

July 25, 2011



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

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

We have audited the financial statements of Academy of Business and Technology, Lucas County (the "Academy") as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated July 25, 2011. As of the end of the year, the charter agreement was not extended and the Academy has ceased all operations. The financial statements are presented using the liquidation basis of accounting as discussed in Note 16. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Academy of Business and Technology, Lucas County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*. According to Ohio Revised Code Section 3314.074, the Academy's fiscal officer, who is not licensed under Ohio Revised Code, is required to complete not less than 16 hours of continuing education courses. As of June 30, 2010, the chief financial officer for the Academy did not complete this requirement. The Academy ceased operations as of June 30, 2010 and therefore no corrective actions are required.

Ohio Revised Code Section 3314.015(E) states that the department shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with Section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

The Ohio Department of Education has developed Community School Closing Procedures Assurances. The purpose of this document is to assure ODE that a sponsor has followed required community school closing procedures in a timely manner. Sponsors must provide and execute a plan for the closure of community schools prior to the school closing its doors. Sponsors are required to complete and sign this assurance to ODE that proper notifications occur, records are properly distributed, and assets are properly disposed with dates recorded in the cells including a final FTE review and scheduling of the final state audit within 30 days of closure of the school.

The Academy did not perform all the close-out procedures required and also did not file the closeout procedures checklist timely. Based on the closing procedures, the Academy is required to complete and file the checklist within 30 days of the closure of the school. The checklist has not been fully completed or filed with ODE. After inspection of the "Community School Closing Procedures Assurances" completed by the Academy, there was no evidence that the following procedures were performed by the Academy:

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

- I. Keep state and federal assets separated for purposes of disposition. Federal dollars cannot be used to pay state liabilities. Account for school property throughout the closing process by distinguishing state from federal dollars:
  - a. Review the financial records of the school
    - i. Establish the fair market (initial and amortized) value via fixed assets policy, for all fixed assets
    - ii. Establish disposition plan for any remaining items.
  - b. Make disposition of the school's fixed assets
    - i. Offer real property acquired from a public school district to that school district's board first at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
    - ii. Current Public Charter School Program (PCSP) grant period assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP. If there are no takers, then an auction sale must be held to dispose of the assets along with the state funded assets:
      1. Notify Office of Community Schools, then public media (print media, radio) of the date and location of any property disposition auction
      2. Follow EDGAR liquidation procedures in 3.4 CFR 80.32 for items valued at \$5,000 or greater
      3. Refund auction proceeds with correct federal and state program codes listed to the appropriate program with checks payable to, "Treasurer, State of Ohio"
      4. Provide board resolutions and minutes of any transfer of assets with a dollar value of \$0 to another school
      5. Provide OCS with a written report of the property (bill of sale)
      6. Return to eTech (formerly Ohio SchoolNet) hardware and software to be redistributed per statutory requirements to other schools.
      7. Remaining assets purchased from funds prior to the current USDOE award grant period may be offered to any public school district with documented board resolutions by the community school and the accepting district.

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

2. Preparation of itemized financials

- a. Review and prepare the following itemized financials:
  - i. A cash analysis (taking the previous month's recap and determining the cash balance as of the closing date)
  - ii. A list of any petty cash and provide to sponsor

The Academy's management and/or sponsor should contact the Ohio Department of Education to rectify any outstanding items associated with the closing of the Academy.

This report is intended solely for the information and use of the board of directors, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

July 25, 2011

# **Academy of Business and Technology, Lucas County**

## **Management's Discussion and Analysis**

This section of Academy of Business and Technology, Lucas County's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2010. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

### **Using this Annual Report**

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

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

#### **Basic Financial Statements**

Statement of Net Assets (Deficit) in Liquidation

Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) in Liquidation

Statement of Cash Flows

Notes to the Financial Statements

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

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

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

# Academy of Business and Technology

## Management's Discussion and Analysis (Continued)

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

Table I provides a summary of the Academy's net assets for fiscal years 2010 and 2009:

TABLE I

	2010	2009
<b>Assets</b>		
Current and other assets	\$ 389,487	\$ 906,541
Capital assets	24,806	53,536
Total assets	414,293	960,077
<b>Liabilities - Current liabilities</b>		
	964,488	1,031,263
<b>Net Assets (Deficit)</b>		
Invested in capital assets	24,806	53,536
Unrestricted deficit	(575,001)	(124,722)
Total net deficit	<u>\$ (550,195)</u>	<u>\$ (71,186)</u>

The above analysis focuses on the net assets (deficit) (see Table I). The change in net assets (deficit) of the Academy is discussed below (see Table 2). The Academy's deficit was \$(550,195) at June 30, 2010. Capital assets recorded at historical cost, net of depreciation, totaled \$24,806. No long-term debt was used to finance the acquisition of those assets. The remaining amount of deficit of \$(575,001) was unrestricted.

The \$(575,001) deficit in unrestricted net assets represents the accumulated results of the past year's operations. Since the unrestricted net assets balance is a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets (deficit) from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of revenue, expenses, and changes in net assets (deficit) in liquidation, which shows the changes in net assets for fiscal years 2010 and 2009 (see Table 2).

# Academy of Business and Technology

## Management's Discussion and Analysis (Continued)

TABLE 2

	2010	2009
<b>Operating Revenues</b>		
Foundation payments	\$ 919,932	\$ 1,109,625
Disadvantaged Pupil Impact Aid	373,978	395,004
Other	102	713
<b>Nonoperating Revenues</b>		
Federal grants	368,311	185,073
State grants	7,879	8,427
Total revenue	1,670,202	1,698,842
<b>Operating Expenses</b>		
Salaries	670,401	643,691
Fringe benefits	222,102	200,122
Purchased services	1,152,265	594,137
Materials and supplies	54,295	55,239
Depreciation	25,170	26,713
<b>Nonoperating Expense</b> - Loss on disposal of capital assets	24,978	-
Total expenses	2,149,211	1,519,902
<b>(Decrease) Increase in Net Assets (Deficit)</b>	<b>\$ (479,009)</b>	<b>\$ 178,940</b>

As reported in the statement of revenue, expenses, and changes in net assets (deficit) in liquidation, the cost of all of our activities this year was \$2,149,211. Certain activities were funded by those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The Academy paid for the remaining public benefits portion of our business-type activities with \$1,293,910 in state foundation and DPIA allowance.

The Academy experienced a decrease in net assets of \$479,009 during the year ended June 30, 2010. The primary factor is due to low enrollment and costs associated with closing the Academy.

# Academy of Business and Technology

## Management's Discussion and Analysis (Continued)

### Capital Assets

As of June 30, 2010, the Academy had \$24,806, before depreciation, invested in capital assets, including leasehold improvements, furniture, and equipment. This amount represents a net decrease, including additions and disposals, of \$28,730 for furniture and equipment. No debt was issued for the additions.

Capital assets, net of depreciation, for fiscal years 2010 and 2009 are as follows:

	2010	2009
Leasehold improvements	\$ -	16,115
Furniture and equipment	24,806	37,421
Total capital assets	<u>\$ 24,806</u>	<u>\$ 53,536</u>

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

### Debt

At the end of fiscal year 2010, the Academy did not have any outstanding debt other than normal trade payables, which are recorded on an accrual basis. The majority of the trade payables are owed to the management company.

### Economic Factors and Next Year's Budgets and Rates

The Academy's charter agreement terminated as of June 30, 2010, as discussed in Note 16. Accordingly, the Academy did not prepare a 2011 fiscal year budget.

### Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Andrew Burks, fiscal officer of the Academy of Business and Technology, Lucas County, Charter School Administration Services, 20820 Greenfield Road, Oak Park, Michigan, 48237 or 1-800-425-1415.



# Academy of Business and Technology

## Statement of Net Assets (Deficit) in Liquidation June 30, 2010

### Assets

Cash (Note 3)	\$ 198,955
Accounts receivable (Note 4)	26,437
Intergovernmental receivables (Note 4)	164,095
Capital assets - Net of accumulated depreciation (Note 5)	<u>24,806</u>

Total assets 414,293

### Liabilities - Current

Accounts payable	935,823
Accrued wages and benefits	13,910
Other liabilities (Note 10)	<u>14,755</u>

Total liabilities 964,488

### Net Assets (Deficit)

Investment in capital assets	24,806
Unrestricted deficit	<u>(575,001)</u>
Total net deficit	<u>\$ (550,195)</u>

# Academy of Business and Technology

## Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) in Liquidation Year Ended June 30, 2010

<b>Operating Revenues</b>	
Foundation payments	\$ 919,932
Disadvantaged Pupil Impact Aid	373,978
Other revenues	<u>102</u>
Total operating revenues	1,294,012
<b>Operating Expenses</b>	
Salaries	670,401
Fringe benefits	222,102
Purchased services (Note 14)	1,152,265
Materials and supplies	54,295
Depreciation	<u>25,170</u>
Total operating expenses	<u>2,124,233</u>
<b>Operating Loss</b>	(830,221)
<b>Nonoperating Revenues/Expenses</b>	
Federal grants	368,311
State grants	7,879
Loss on disposal of capital assets	<u>(24,978)</u>
Total nonoperating revenues - Net	<u>351,212</u>
<b>Change in Net Deficit</b>	(479,009)
<b>Net Deficit - July 1, 2009</b>	<u>(71,186)</u>
<b>Net Deficit - June 30, 2010</b>	<u><u>\$ (550,195)</u></u>

# Academy of Business and Technology

## Statement of Cash Flows Year Ended June 30, 2010

### Cash Flows from Operating Activities

Foundation payments	\$ 733,895
Disadvantaged Pupil Impact Aid	373,978
Other revenues	102
Payments to suppliers for goods and services	(814,782)
Payments to employees for services	(796,656)
Payments for employee benefits	<u>(176,543)</u>
Net cash used in operating activities	(680,006)

### Cash Flows from Noncapital Financing Activities - Grants received

Federal	291,521
State	<u>7,879</u>
Net cash provided by noncapital financing activities	299,400

### Cash Flows from Capital and Related Financing Activities - Payments for capital acquisitions

(21,418)

### Net Decrease in Cash

(402,024)

### Cash - Beginning of year

600,979

### Cash - End of year

\$ 198,955

### Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (830,221)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	25,170
Changes in assets and liabilities:	
Decrease in accounts receivable	125,978
Decrease in prepaid items	65,842
Increase in accounts payable	191,985
Decrease in accrued wages and benefits	(80,696)
Decrease in other liabilities	<u>(178,064)</u>
Total adjustments	<u>150,215</u>
Net cash used in operating activities	<u><u>\$ (680,006)</u></u>

# **Academy of Business and Technology, Lucas County**

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## **Notes to Financial Statements June 30, 2010**

### **Note 1 - Description of the Academy and Reporting Entity**

Academy of Business and Technology, Lucas County (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through eight. The Academy's objective is to prepare all students to be successful citizens, cooperative workers, and profitable entrepreneurs by developing their unique potential. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy has renewed the charter under the oversight of Ashe Cultural Center (the "Sponsor") for a period of three years commencing June 30, 2006 and ending April 14, 2009, and was extended through June 30, 2010. As discussed in Note 16, the charter agreement was not extended subsequent to June 30, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3 percent of the total state funds received each year to the Sponsor.

The Academy operates under the direction of a five-member board of directors. The board of directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by seven noncertified and 16 certified full-time teaching personnel who provide services to 190 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 9).

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of Academy of Business and Technology, Lucas County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental organizations.

# Academy of Business and Technology, Lucas County

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## Notes to Financial Statements June 30, 2010

### Note 2 - Summary of Significant Accounting Policies (Continued)

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

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

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

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

**Basis of Accounting** - The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. As discussed in Note 16, the charter agreement was not extended past June 30, 2010 and accordingly, the Academy has ceased operations as of June 30, 2010. As such, the Academy has changed its basis of accounting for the period subsequent to June 30, 2009 from the going-concern basis to a liquidation basis of accounting. Under the liquidation basis of accounting, all assets and liabilities are presented at their estimated net realizable value to the extent known.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 2 - Summary of Significant Accounting Policies (Continued)

Expenses are recognized at the time they are incurred.

**Budgetary Process** - Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the academy and its sponsor. The contract between the Academy and the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

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

**Capital Assets** - Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000. The Academy does not possess any infrastructure. There are no construction period interest costs. In accordance with the liquidation basis of accounting, the net book value of capital assets has been adjusted to net realizable value.

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

Leasehold improvements	5 years
Furniture and equipment	5 years

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

**Accrued Liabilities Payable** - The Academy has recognized certain liabilities on its statement of net assets (deficit) relating to expenses which are due but unpaid as of June 30, 2010, including accounts payable and salary payments made after year end that were for services rendered in fiscal year 2010.

# Academy of Business and Technology, Lucas County

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## Notes to Financial Statements June 30, 2010

### Note 2 - Summary of Significant Accounting Policies (Continued)

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

**Operating Revenue and Expenses** - Operating revenue is that revenue that is generated directly from the primary activities. For the Academy, this revenue is primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenue and expenses not meeting this definition are reported as nonoperating.

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

Grants and entitlements are recognized as nonoperating revenue in the accounting period in which the grant is expended.

The Academy also participates in various state and federal operating grants. Grants awarded in 2010 include the following: Title I, Title II-A, IDEA-B, EMIS, Education Stabilization, and meal reimbursement program. Revenue received under the above-named programs is recognized as nonoperating revenue in the accompanying financial statements.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

### Note 3 - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was \$198,955 and the bank balance was \$199,982. As of June 30, 2010, none of the Academy's deposit balance was uninsured and uncollateralized.

**Investments** - During the year ended June 30, 2010, the Academy had no investments. The Academy has no investment policy that addresses any restriction on investments relating to interest rate, credit, or custodial credit risks.

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 4 - Receivables

Receivables at June 30, 2010 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full and are expected to be received within one year. At June 30, 2010, the Academy has receivables in the amount of \$26,437 due from a vendor reimbursement.

A summary of principal items of intergovernmental receivables is as follows:

Title I	\$ 91,448
Title I School Improvement	17,360
Title I ARRA	<u>55,287</u>
Total intergovernmental receivables	<u><u>\$ 164,095</u></u>

### Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Capital assets being depreciated:				
Leasehold improvements	\$ 591,622	\$ 18,173	\$ (609,795)	\$ -
Furniture and equipment	<u>241,885</u>	<u>3,245</u>	<u>-</u>	<u>245,130</u>
Subtotal	833,507	21,418	(609,795)	245,130
Accumulated depreciation:				
Leasehold improvements	575,507	9,310	(584,817)	-
Furniture and equipment	<u>204,464</u>	<u>15,860</u>	<u>-</u>	<u>220,324</u>
Subtotal	<u>779,971</u>	<u>25,170</u>	<u>(584,817)</u>	<u>220,324</u>
Net governmental capital assets	<u><u>\$ 53,536</u></u>	<u><u>\$ (3,752)</u></u>	<u><u>\$ 24,978</u></u>	<u><u>\$ 24,806</u></u>

As discussed in Note 16 to the financial statements, the Academy adopted the liquidation basis of accounting. Consequently, all leasehold improvements were written off and all furniture and equipment adjusted to estimated fair market value at June 30, 2010.



# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 5 - Capital Assets (Continued)

**Asset Impairment** - Pursuant to the Academy's facility lease agreement, all leasehold improvements will be forfeited at the end of the lease term. At June 30, 2010, the lease had expired. As a result, the leasehold improvements were deemed to be permanently impaired. A \$609,795 impairment charge was recorded, reducing the net book value of leasehold improvements to \$0. In addition, subsequent to year end, the Academy will hold an auction for its furniture and equipment. No significant loss is anticipated on the sale of the furniture and fixtures; accordingly, those amounts are presented at their historical cost net of accumulated depreciation, which approximates fair value, at June 30, 2010.

### Note 6 - Risk Management

**Property and Liability** - The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with Employers Mutual Casualty Company for general liability and property insurance with a \$1,000,000 single occurrence limit and \$2,000,000 aggregate limit and no deductible. Professional liability is protected by excess insurance coverage with an \$8,000,000 single occurrence limit and an \$8,000,000 aggregate and no deductible. Automobile liability for bodily injury and/or property damage has a \$1,000,000 single occurrence limit. The Academy also has an \$8,000,000 liability umbrella policy from Employers Mutual Casualty Company.

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

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

### Note 7 - Defined Benefit Pension Plans

#### School Employees' Retirement System

**Plan Description** - The Academy contributes to the School Employees' Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that may be obtained by writing to the School Employees' Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 7 - Defined Benefit Pension Plans

**Funding Policy** - For the fiscal year ended June 30, 2010, plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund healthcare benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' retirement board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,155, \$12,585, and \$12,090, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

#### State Teachers Retirement System

**Plan Description** - The Academy 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 website at [www.strsoh.org](http://www.strsoh.org).

**Plan Options** - New members have a choice of three retirement plans: a defined benefit plan (DBP), a defined contribution plan (DCP), and a combined plan (CP). The DBP 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 DCP 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 CP offers features of both the DCP and the DBP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP 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.

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 7 - Defined Benefit Pension Plans (Continued)

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

**Funding Policy** - For fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for fiscal years ended June 30, 2010, 2009, and 2008 were \$88,781, \$79,367, and \$78,943, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$88,781 made by the Academy and \$63,415 made by the plan members.

### Note 8 - Postemployment Benefits

#### School Employees' Retirement System

The Academy participates in two cost-sharing, multiple-employer, defined benefit OPEB plans administered by the School Employees' Retirement System for classified retirees and their beneficiaries: a healthcare plan and a Medicare Part B Plan. The healthcare plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the system based on authority granted by state statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 8 - Postemployment Benefits (Continued)

**Funding Policy** - State statute permits SERS to fund the healthcare benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For fiscal year 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$1,356.

Active employee members do not contribute to the healthcare plan. Retirees and their beneficiaries are required to pay a healthcare premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Academy's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$1,821, \$5,669, and \$5,639, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$768, \$683, and \$678, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

### State Teachers Retirement System

**Plan Description** - The Academy 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](http://www.strsoh.org) or by calling (888) 227-7877.

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 8 - Postemployment Benefits (Continued)

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the plan and gives the retirement board authority over how much, if any, of the healthcare 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 postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,341, \$5,669, and \$5,639, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

### Note 9 - Agreement with Charter School Administration Services, Inc.

The Academy entered into a five-year contract, effective July 1, 1999, with an original expiration date of June 30, 2004, with Charter School Administration Services, Inc. for educational management services. The contract contains a provision which extends the contract for successive one-year periods unless terminated by either party. As of June 30, 2010, the Academy's management agreement with Charter School Administration Services, Inc. expired and the Academy terminated operations (see Note 16). In exchange for its services, CSAS receives a management fee equal to 12 percent of all sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require CSAS to provide the following:

- a. The support necessary for the provision of educational services to students and the management, operation, and maintenance of the Academy
- b. Implementation and administration of the educational program, including the selection and acquisition of instructional materials, equipment, and supplies, and the administration of any and all extracurricular and co-curricular activities and programs
- c. All personnel functions, including professional development for the Academy administrator, all instructional personnel, and support staff
- d. Control, maintenance, and operation of the Academy building and the installation of technology integral to the Academy design
- e. All aspects of the business administration of the Academy
- f. Transportation and food service for the Academy
- g. A projected annual budget prior to each school year

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### **Note 9 - Agreement with Charter School Administration Services, Inc. (Continued)**

- h. Detailed statements of all revenue received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred onsite or offsite, upon request
- i. Support for annual audits in compliance with State law and regulations, showing the manner in which funds are spent at the Academy
- j. Reports on Academy operations, finances, and student performance, upon request, but not less frequently than four times per year
- k. Any other function necessary or expedient for the administration of the Academy

At June 30, 2010, substantially all of the Academy's accounts payable balances are owed to the management company.

### **Note 10 - Other Liabilities and Contingencies**

**Grants** - The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

**State Funding** - Funding received from the State of Ohio is based on estimated pupil counts during the year. If actual pupil attendance differs from the estimate, the school will receive a State funding adjustment. For the year ended June 30, 2010, the Academy has no amounts due to the State for overpayment received.

### **Note 11 - Operating Leases**

The Academy has one lease agreement for facilities with Education Real Estate, Inc. (formerly known as CSAS Real Estate) effective through June 30, 2010. The lease has continued on a month-to-month basis. Education Real Estate, Inc. is a company owned by the principal owners of the Academy's management company, Charter School Administrative Services, Inc.

The Academy also entered a lease for a copier commencing April 1, 2006 for 36 months which converted to a month-to-month lease at its expiration. The copier is owned by Ricoh Business Systems. Payments made totaled \$12,780 for the fiscal year.

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 12 - Related Parties

Two of the board members of the Academy are also board members of the Academy of Cleveland and the Academy of Dayton, which are academies under management by Charter School Administration Services, Inc. Members of the board of directors are not compensated.

The Academy entered into one lease agreement through June 30, 2010 with Education Real Estate, Inc. for facilities (see Note 11). Education Real Estate, Inc. is the real estate affiliate of Charter School Administration Services, Inc., the Academy's management company. Lease payments for the year ended June 30, 2010 to Education Real Estate, Inc. totaled \$304,680.

The Academy also utilizes an entrepreneurial camp for children, which is provided by Academy of America, whose officers are also stockholders of Charter School Administrative Services, Inc., the management agent for the Academy. Payments to Academy of America for camp services for the year ended June 30, 2010 totaled \$55,200.

### Note 13 - Consortium Agreement

On January 14, 2000, the governing board approved joining a consortium with 13 other charter schools and public school academies, each of which is managed by Charter School Administration Services, Inc. (CSAS) under management agreements comparable to the management agreement between the Academy and CSAS (see Note 9). The members of the consortium are as follows:

<u>Academy</u>	<u>State of Operation</u>
Academy of Dayton	Ohio
Academy of Arizona	Arizona
Academy of Dallas	Texas
Bexar County Academy	Texas
Academy of Detroit West	Michigan
Academy of Southfield	Michigan
Academy of Oak Park	Michigan
Academy of Lathrup Village	Michigan
Academy of Inkster	Michigan
Academy of Warren	Michigan
Academy of Waterford	Michigan
Academy of Westland	Michigan
Cherry Hill School of Performing Arts	Michigan

# Academy of Business and Technology, Lucas County

## Notes to Financial Statements June 30, 2010

### Note 13 - Consortium Agreement (Continued)

The management agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 2000 and the experiences of CSAS in both incurring costs for the consortium members and allocation of such costs to consortium members, the Academy and CSAS have agreed upon an equitable method of such allocation. Based upon the student count, the Academy shall pay CSAS for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium for the 2009-2010 school year an amount equal to \$67 per month per student enrolled at the Academy.

### Note 14 - Other Purchased Services

During the year ended June 30, 2010, other purchased service expenses for services rendered by various vendors were as follows:

Building rent and property taxes to Education Real Estate, Inc.	\$ 325,928
Food service	80,481
Utilities	47,584
Administrative fees to Sponsor	33,236
Management fees to CSAS	157,803
Overhead fees to CSAS	156,244
Professional fees	180,769
Maintenance and repairs	57,570
Telephone	13,238
Insurance	15,187
Advertising	6,003
Leased equipment	12,780
Training	65,442
Total	<u>\$ 1,152,265</u>

### Note 15 - Subsequent Events / Continued Existence

As of June 30, 2010, the Academy's charter agreement with its Sponsor expired and the Academy terminated operations.

As of July 25, 2011, the Academy disbursed \$147,990 of the June 30, 2010 cash balance of \$198,955. The disbursements represented obligations of the Academy prior and subsequent to June 30, 2010 for purchased services expenses.



# **Academy of Business and Technology, Lucas County**

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## **Notes to Financial Statements June 30, 2010**

### **Note 16 - Pending Dissolution**

As discussed in Note 1, the Academy entered into a contract with Ashe Cultural Center to charter a public school academy which was subsequently extended through June 30, 2010. The Academy is currently in the process of dissolving the remaining assets and liabilities. By July 30, 2011, it is expected that all activities will have concluded and a certificate of dissolution will be filed by December 31, 2011. Consequently, the Academy has changed its basis of accounting for the period subsequent to June 30, 2010 from the going-concern basis to liquidation basis of accounting. All assets and liabilities have been adjusted to reflect their estimated fair market value as of June 30, 2010.

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# Dave Yost • Auditor of State

**ACADEMY OF BUSINESS AND TECHNOLOGY**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 29, 2011**