



**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**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 basic financial statements of the Alternative Education Academy, Lucas County, Ohio, (the School) as of and for the year ended June 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Alternative Education Academy, Lucas County, Ohio, (the School) as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, 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 the 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 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 29, 2008

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007  
(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, 2007. 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 increased \$290,632, which represents a 23.7 percent increase from 2006. This was due to increases in the School's assets and a decrease in the School's liabilities in 2007. The increase can also be attributed to the interest the School received on their funds in the bank.
- Total assets increased \$129,488, which represents a 7.1 percent increase from 2006. This was primarily due to an increase in the School's cash balance in 2007, as well as the purchase of capital assets. Other receivables that relate to State and Federal funding actually decreased from 2006.
- Liabilities decreased \$161,144, which represents a 26.7 percent decrease from 2006. As explained later, the decrease in liabilities is a direct result of the decrease in State and Federal receivables, which directly decreases liabilities owed as management fees.

**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.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Unaudited)**

**Statement of Net Assets**

The Statement of Net Assets answers the question of how the School did financially during 2007. 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.

Table 1 provides a summary of the School's net assets for fiscal year 2007 and fiscal year 2006.

(Table 1)  
**Net Assets**

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Current Assets	\$ 1,897,518	\$ 1,783,919
Capital Assets, net	62,869	46,980
Total Assets	\$ 1,960,387	\$ 1,830,899
 <b>Liabilities</b>		
Current Liabilities	\$ 442,659	\$ 603,803
 <b>Net Assets</b>		
Invested in Capital Assets	\$ 62,869	\$ 46,980
Unrestricted	1,454,859	1,180,116
Total Net Assets	\$ 1,517,728	\$ 1,227,096

Total assets increased \$129,488. This increase was due to increases in cash and the purchase of capital assets in 2007. However, the School's receivables that relate to State and Federal funding decreased from 2006. Liabilities decreased by \$161,144 from 2006. This decrease is related to the decrease in receivables as the School operates under a management agreement with WHDL, LLC (WHDL). Under the terms of the management agreement, WHDL is paid a specific percentage of the State and Federal revenues the School receives.



**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Unaudited)**

**Statement of Revenues, Expenses, and Changes in Net Assets**

Table 2 shows the changes in net assets for fiscal year 2007 and fiscal year 2006, as well as a listing of revenues and expenses.

(Table 2)  
**Change in Net Assets**

	<b>2007</b>	<b>2006</b>
<b>Operating Revenues</b>		
State Aid	\$ 14,879,359	\$ 17,193,770
<b>Non-Operating Revenues</b>		
Grants	1,306,476	1,309,925
Interest	46,959	9
Total Revenues	16,232,794	18,503,704
<b>Operating Expenses</b>		
Purchased Services: Management Fees	14,083,480	16,308,232
Purchased Services: Grant Programs	1,306,476	1,262,945
Sponsorship Fees	382,348	369,891
Audit and Accounting	9,296	9,046
Legal	40,891	20,600
Insurance	13,000	13,092
Board of Education	74,441	1,995
Professional services	5,344	-
Depreciation	26,861	-
Miscellaneous	25	58,563
Total Expenses	15,942,162	18,044,364
Change in Net Assets	\$ 290,632	\$ 459,340

The reason for the significant decrease in overall revenues from 2006 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. As stated previously, 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, 2007  
(Unaudited)**

**Capital Assets**

At the end of fiscal year 2007 the School had \$62,869 in computers & software. Table 3 shows the respective balance for fiscal year 2007.

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

	<u>2007</u>
Computers & Software	<u>\$ 62,869</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 2,900 students in 2007. 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 2007 averaged \$5,131 with a 2.2 percent increase planned in fiscal year 2008.

**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, Akron, Ohio 44308.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 1,583,180
Continuing Fees Receivable	26,676
Sponsorship Fees Receivable	603
Grants Funding Receivable	<u>287,059</u>

Total Current Assets 1,897,518

Noncurrent Assets

Capital Assets, net	<u>62,869</u>
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**Total Assets** \$ 1,960,387

**LIABILITIES**

Current Liabilities

Sponsorship Fees Payable	\$ 33,087
Grants Funding Payable	360,110
State Funding Payable	27,787
Continuing Fees Payable	<u>21,675</u>

**Total Liabilities** \$ 442,659

**NET ASSETS**

Invested in Capital Assets	\$ 62,869
Unrestricted	<u>1,454,859</u>

**Total Net Assets** \$ 1,517,728

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, 2007**

**OPERATING REVENUES**

State Aid	\$ 14,879,359
<b>Total Operating Revenues</b>	<u>14,879,359</u>

**OPERATING EXPENSES**

Purchased Services: Management Fees	14,083,480
Purchased Services: Grant Programs	1,306,476
Sponsorship Fees	382,348
Legal	40,891
Insurance	13,000
Auditing and Accounting	9,296
Board of Education	74,441
Professional Services	5,344
Depreciation	26,861
Miscellaneous	25
<b>Total Operating Expenses</b>	<u>15,942,162</u>

<b>Operating Loss</b>	(1,062,803)
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**NON-OPERATING REVENUES**

Grants	1,306,476
Interest	46,959

<b>Total Non-Operating Revenues</b>	<u>1,353,435</u>
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<b>Change in Net Assets</b>	290,632
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<b>Net Assets, July 1, 2006</b>	<u>1,227,096</u>
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<b>Net Assets, June 30, 2007</b>	<u>\$ 1,517,728</u>
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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, 2007**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State and Federal Sources	\$ 14,984,267	
Cash Payments to Suppliers for Goods and Services	(16,053,661)	
Net Cash Used for Operating Activities	(1,069,394)	

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Capital Expenses	(42,750)	
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received from Interest	46,959	
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received from Grant Programs	1,417,435	
Net Increase in Cash and Cash Equivalents	352,250	
Cash and Cash Equivalents at Beginning of Year	1,230,930	
Cash and Cash Equivalents at End of Year	\$ 1,583,180	

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

Operating Loss	\$ (1,062,803)	
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Depreciation	26,861	
Changes in Assets and Liabilities:		
State Funding Receivable	116,639	
Continuing Fees Receivable	10,713	
Sponsorship Fees Receivable	340	
Sponsorship Fees Payable	30,754	
State Funding Payable	(11,731)	
Grants Funding Payable	(91,035)	
Continuing Fees Payable	(89,132)	
Total Adjustments	(6,591)	
Net Cash Used for Operating Activities	\$ (1,069,394)	

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, 2007**

**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 four-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 includes, but is 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 2,900 full-time equivalent students during the fiscal year ended June 30, 2007. 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.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 net total 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 2007. 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.



**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2007, 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, 2007

**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.

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 2007 school year totaled \$16,185,835.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. CAPITAL ASSETS AND DEPRECIATION**

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

As of June 30, 2007, the School's capital assets had a net book value of \$62,869. 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, 2007  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all School deposits was(\$88,661). Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2007, none of the School’s bank balance of \$16,241 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, 2007, 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>\$ 1,671,841</u>	<u>\$ 1,671,841</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.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

*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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAROhio	<u>\$ 1,671,841</u>	<u>100.00</u>

**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, 2007, the amount of “State Funding Payable” was \$27,787.

**5. CONTINUING FEES PAYABLE/RECEIVABLE**

Under the terms of the management agreement with WHDL (See Note 10.), a “Continuing Fees Payable” in the amount of \$21,675 has been recorded by the School.

A “Continuing Fees Receivable” from WHDL has been recorded by the School in the amount of \$26,676 for 97 percent of the “State Funding Payable” due to the State for the FTE liability. (See Note 4.)

**6. GRANTS FUNDING RECEIVABLE/PAYABLE**

The School has recorded “Grants Funding Receivable” in the amount of \$287,059 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2007.

Additionally, under the terms of the management agreement (See Note 10.), the School has recorded a liability to WHDL in the amount of \$360,110 for 100 percent of any State and Federal monies uncollected or unpaid to WHDL as of June 30, 2007.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

(Continued)

**7. SPONSORSHIP FEES PAYABLE/RECEIVABLE**

A "Sponsorship Fees Payable" to OCCS has been recorded by the School in the amount of \$33,087, due to a check that was issued to the Sponsor being voided and then reissued in the new fiscal year.

A "Sponsorship Fees Receivable" from OCCS has been recorded by the School in the amount of \$603 for the applicable percentage of the State Funding Payable due to the State for the FTE liability.

**8. CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2007, the School's capital assets consisted of the following:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/07</u>
<b>Capital Assets</b>				
<b>Being Depreciated:</b>				
Computers & Software	\$ 46,980	\$ 42,750	\$ -	\$ 89,730
<b>Less Accumulated</b>				
<b>Depreciation:</b>				
Computers & Software	-	26,861	-	26,861
<b>Total Capital Assets</b>				
<b>Being Depreciated, Net</b>	<u>\$ 46,980</u>	<u>\$ 15,889</u>	<u>\$ -</u>	<u>\$ 62,869</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. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years. (See Note 10.)

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

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**10. AGREEMENT WITH WHDL, LLC**

Effective June 30, 2004, the School entered into a revised Management Agreement (Agreement) that renews yearly with WHDL, which is an educational consulting and management company. The Agreement's term coincides with the School's charter agreement and will renew for additional, successive one (1) year terms unless one party notifies the other party on or before the February 1<sup>st</sup> 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. 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" and "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, 2007 of \$15,389,956 of which \$381,785 was payable to WHDL June 30, 2007.

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.

**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 \$382,348 in sponsorship fees to OCCS.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

(Continued)

**12. MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2007, White Hat Management Company, LLC incurred the following expenses on behalf of the School.

	<b>2007</b>
<b>Expenses</b>	
<b>Direct Expenses:</b>	
Salaries & wages	\$ 3,725,782
Employees' benefits	967,380
Professional & technical services	3,761,366
Property services	1,685,635
Travel	243,838
Communications	658,354
Utilities	68,720
Other purchased services	-
Books, periodicals, & films	1,592,428
Other supplies	1,710,738
Depreciation	761,365
Interest	2,018
Other direct costs	183,793
<b>Indirect Expenses:</b>	
Overhead	3,872,917
<b>Total Expenses</b>	<b>\$ 19,234,334</b>

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.

**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 is ultimately responsible for remitting retirement contributions to each of the systems noted below: (See Note 10.)

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**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations, compared to 10.58 percent for fiscal year 2006. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the years ended June 30, 2007, 2006, and 2005, were \$13,056, \$92,084, and \$101,968, respectively; of which 100 percent has been contributed.

**B. STATE TEACHERS RETIREMENT SYSTEM**

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 system. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).



**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon 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.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM (Continued)**

The School's required contributions for pension obligations for the fiscal years ended June 30, 2007, 2006, and 2005, were \$338,290, \$350,441, and \$266,707 respectively; of which 100 percent has been contributed.

**C. SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007 two Grant Coordinators have elected Social Security. The School's liability is 6.2 percent of wages paid.

**14. POSTEMPLOYMENT BENEFITS**

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

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from

STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$26,022 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

**14. POSTEMPLOYMENT BENEFITS (Continued)**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, School paid \$14,761 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 55,818 participants eligible to receive health care benefits.

**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.

**16. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**(Continued)**

**16. STATE SCHOOL FUNDING DECISION (Continued)**

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**17. PENDING LITIGATION**

A lawsuit entitled Beverly Blount-Hill, et al. v. State of Ohio, et.al., Case #3:04CV197 was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004. The suit alleges the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the Alternative Education Academy cannot presently be determined.

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Revenues</b>	<b>Expenses</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Direct</i>				
Fund for the Improvement of Education	N/A	84.215	\$98,232	\$98,232
<i>Passed Through Ohio Department of Education</i>				
Special Education Grants to States (IDEA Part B)	143396-6BSF-2007	84.027	569,239	569,239
Improving Teacher Quality State Grants	143396-TRS1-2007	84.367	29,779	29,779
Education Technology State Grants	143396-TJS1-2007	84.318	5,456	5,456
Grants to Local Educational Agencies (ESEA Title 1)	143396-C1S1-2007	84.010	552,863	552,863
Innovative Educational Program Strategies	143396-C2S1-2007	84.298	3,377	3,377
Safe and Drug-Free Schools and Communities State Grants	143396-DRS1-2007	84.186	<u>22,363</u>	<u>22,363</u>
Total U. S. Department of Education Passed Through Ohio Department of Education			<u>1,183,077</u>	<u>1,183,077</u>
<b>Totals</b>			<u><u>\$1,281,309</u></u>	<u><u>\$1,281,309</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, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Revenues and Expenses Schedule (the Schedule) summarizes activity of the School's federal award programs. The Schedule has been prepared using the full accrual basis of accounting.



# 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 the Alternative Education Academy, Lucas County, Ohio, (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 29, 2008. 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.

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.

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 did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the School's management in a separate letter dated February 29, 2008.

#### **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*.

We did note a certain noncompliance or other matter that we reported to the School's management in a separate letter dated February 29, 2008.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, the Community School's Sponsor, and 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 29, 2008





# 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

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

To the Board of Directors:

### Compliance

We have audited the compliance of Alternative Education Academy, Lucas 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, 2007. 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 Alternative Education Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

### 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.

However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated February 29, 2008.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, the Community School's Sponsor and 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 29, 2008

**ALTERNATIVE EDUCATION ACADEMY  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**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  
APRIL 3, 2008**