



**Auditor of State
Betty Montgomery**

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the Balance Sheet of the Academy of Business and Technology, Lucas County, (the Academy) as of June 30, 2003, the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the year ended June 30, 2003. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

The Academy has not obtained an exemption from Federal income taxes. Therefore, its net earnings are subject to such income tax. The accompanying financial statements do not include a provision for income taxes or accrued income taxes, which we believe should be included to conform with accounting principles generally accepted in the United States of America.

Because of the departure referred to in the preceding paragraph, net income and retained earnings are overstated and liabilities for accrued income taxes is understated by amounts which, while material, we are unable to determine.

In our opinion, except for the effects of not recording tax expense or accrued taxes payable as discussed in the preceding paragraph, the financial statements referred to above present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Academy of Business and Technology, Lucas County, as of June 30, 2003, and the results of operations and its cash flows for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2004, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 28, 2004

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2003**

Assets

Current Assets

Cash and Cash Equivalents with Fiscal Agent	\$ 98,742
Accounts Receivable	27,693
Intergovernmental Receivable	929,243
Prepaid Items	<u>250</u>
Total Current Assets	1,055,928

Non-Current Assets

Fixed Assets (Net of Accumulated Depreciation)	<u>82,614</u>
Total Assets	<u><u>\$ 1,138,542</u></u>

Liabilities and Equity

Current Liabilities

Accounts Payable	\$ 802,259
Accrued Wages Payable	<u>75,034</u>
Total Current Liabilities	877,293

Equity

Retained Earnings	<u>261,249</u>
Total Liabilities and Fund Equity	<u><u>\$ 1,138,542</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2003**

Operating Revenues

Foundation Payments	\$ 1,996,258
Disadvantaged Pupil Impact Aid	256,330
Food Services	24,045
Other Operating Revenues	<u>36,693</u>
Total Operating Revenues	<u>2,313,326</u>

Operating Expenses

Salaries	982,719
Fringe Benefits	292,908
Purchased Services	1,789,737
Materials and Supplies	110,912
Depreciation	<u>53,610</u>
Total Operating Expenses	<u>3,229,886</u>
Operating Loss	<u>(916,560)</u>

Non-Operating Revenues (Expenses)

Grants - Federal	1,073,553
Grants - State	<u>9,326</u>
Total Non-Operating Revenues (Expenses)	<u>1,082,879</u>
Net Income	166,319
Retained Earnings at Beginning of Year	<u>94,930</u>
Retained Earnings at End of Year	<u><u>\$ 261,249</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 2,253,692
Cash Received from Extracurricular Activities	24,045
Cash Received from Other Operating Revenue	36,693
Cash Payments to Suppliers for Goods and Services	(1,516,028)
Cash Payments to Employees for Services	(995,528)
Cash Payments for Employee Benefits	<u>(246,194)</u>
Net Cash Used for Operating Activities	<u>(443,320)</u>

Cash Flows from Noncapital Financing Activities

Grants Received - Federal	515,699
Grants Received - State	<u>9,651</u>
Net Cash Provided by Noncapital Financing Activities	<u>525,350</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(17,422)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(17,422)</u>
Net Increase in Cash and Cash Equivalents	64,608
Cash and Cash Equivalents at the Beginning of the Year	<u>34,134</u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$ 98,742</u></u>

(Continued)

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

**Reconciliation of Operating Loss to
Net Cash Used for Operating Activities**

Operating Loss \$ (916,560)

**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities**

Depreciation 53,610
Changes in Assets and Liabilities:
 (Increase) in Accounts Receivable (16,956)
 Increase in Accounts Payable 396,949
 Increase in Accrued Wages Payable 39,637

Total Adjustments 473,240

Net Cash Used for Operating Activities \$ (443,320)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

The Academy was approved for operation under a contract with the Ohio Counsel of Community Schools (the Sponsor) for a period of five years commencing August 15, 1999. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In consideration of permitting the creation of the Academy, organization, oversight, fees and costs of the Sponsor, the Academy makes annual payments of three percent of the total state and federal funds received each year to the Sponsor.

The Academy operates under the direction of a five-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's two instructional/support facilities staffed by 5 non-certified personnel and 22 certificated full time teaching personnel who provide services to 406 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's management company, the Charter School Administrative Services, Inc. (CSAS), which serves as the

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name.

For purposes of the statement of cash flows and for the presentation on the balance sheet, investments with original maturities of three months or less, at the time they are purchased by the Academy, are considered to be cash equivalents.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the dates received. The Academy does not possess any infrastructure.

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

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements 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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Academy also participates in various state and federal operating grants. Grants awarded in 2003 included the following: Title I, Title II-A, Title II-D, Title IV, Title V, Federal Repair and Renovation, Federal Sub Grant, IDEA-B, SchoolNet, Ohio Reads, EMIS, and meal reimbursement programs. Revenue received under the above named programs is recognized as non-operating revenue in the accompanying financial statements.

**ACADEMY OF BUSINESS AND TECHNOLOGY
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Amounts awarded under the above named programs for the 2003 school year totaled \$3,335,467.

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2003, including: accounts payable and salary payments made after year-end that were for services rendered in fiscal year 2003. Certain teaching personnel are paid year round, however payments during the summer months were earned as of June 30. Therefore, a liability has been recognized at June 30, 2003, for all salary payments made to teaching personnel during the summer of 2003.

H. Estimates

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

3. DEPOSITS AND INVESTMENTS

At June 30, 2003, the carrying amount of the Academy's deposits was \$98,742 and the bank balance was \$124,050. At June 30, 2003, \$24,050 of deposits were not insured or collateralized.

4. RECEIVABLES

Receivables at June 30, 2003, consisted of accounts (e.g., miscellaneous receipts) and intergovernmental (e.g., grants) receivables. Intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds. The accounts receivable are considered collectible in full.

5. FIXED ASSETS

A summary of the Academy's fixed assets at June 30, 2003, follows:

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Leasehold Improvements	\$ 175,280
Furniture and Equipment	<u>92,770</u>
Subtotal	268,050
Less: Accumulated Depreciation	<u>(185,436)</u>
Net Fixed Assets	<u><u>\$ 82,614</u></u>

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2003, the Academy contracted with Employers Mutual Casualty Company for property and general liability 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 the Employers Mutual Casualty Company.

B. Workers' Compensation

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

C. Employee Medical, Dental, Vision, Prescription and Life Benefits

The Academy as contracted with private carriers to provide employee medical, dental, vision, prescription, and life insurance to its full time employees who work 40 or more hours per week.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS

**ACADEMY OF BUSINESS AND TECHNOLOGY
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, 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 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$10,113, \$6,585, and \$2,423 respectively; 96.92 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. The unpaid contribution at June 30, 2003, in the amount of \$3,973, is recorded as a liability.

B. State Teachers Retirement System

The Academy 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined plan offers features of both the DC plan and the DB plan. In the Combined plan, member

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

contributions are invested by the member, and the 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 or Combined plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary, and the Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The Academy's required contribution for pension obligations for fiscal years ended June 30, 2003, 2002, and 2001 were \$97,205, \$67,989, and \$50,115 respectively; 87.55 percent has been contributed for fiscal year 2003, and 100 percent has been contributed for fiscal years 2002 and 2001. The unpaid contribution at June 30, 2003, in the amount of \$23,610, is recorded as a liability.

8. POST EMPLOYMENT BENEFITS

The Academy 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 School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

For STRS Ohio, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled \$7,474 for the fiscal year ended June 30, 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.011 billion at June 30, 2002 (the latest information available). For fiscal year ended June 30, 2003, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the Academy, the amount to fund health care benefits, including surcharge, equaled \$7,215 for the fiscal year ended June 30, 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance for the asset target level for the Health Care Fund. Health Care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

9. 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.

**ACADEMY OF BUSINESS AND TECHNOLOGY
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(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 Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2003.

B. Ohio Community School Program

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the State Constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18th, 2003. The effect of this suit, if any, on the Academy is not presently determinable.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the 2003 review, the Academy's state foundation funding was overpaid by \$1,104, which is included as an account payable on the face of the financial statements, and will be deducted from the Academy's fiscal year 2004 monthly foundation payments.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

11. OPERATING LEASES

The Academy entered into a sublease commencing August 1, 1999 for 5 years with "Academy of America", a Michigan non-profit corporation, which leases from "Covenant Development Corporation", to lease space to house the Academy's Woodland campus. Payments made totaled \$41,520 for the fiscal year. The building was sold by Covenant Development Corporation to CSAS Real Estate on November 1, 2003. The Academy entered into a new lease agreement with CSAS Real Estate, effective the same date, for 1 year and 9 months. The Academy has an accounts payable for \$190,080 to CSAS Real Estate for back rent payments for the 8 months under its possession. In addition, the Academy has an account receivable for \$27,680 due from the Academy of America for overpayment of 8 months rent.

The Academy entered into a lease for a second facility, the Parkwood campus, with CSAS Real Estate, Inc., commencing August 1, 2001 for four years. Facility lease payments to CSAS totaled \$526,533 for the fiscal year.

The Academy entered into several leases for copiers: one commencing March 1, 2003 for 36 months; one commencing March 16, 2000 for 36 months; one commencing July 30, 2001 for 36 months; one commencing December 13, 2002 for 36 months; one commencing February 26, 2002 for 36 months; and one commencing July 1, 2003 for 36 months. The copiers are owned by Savin Credit Corporation. Payments made totaled \$17,455 for the fiscal year.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2003:

<u>Year Ending June 30,</u>	<u>Facility Lease</u>	<u>Copiers</u>
2004	\$ 589,800	\$ 18,564
2005	328,440	10,355
2006	25,390	4,220
Total Minimum Lease Payments	<u>\$ 943,630</u>	<u>\$ 33,139</u>

12. PURCHASED SERVICE EXPENSES

For the year ended June 30, 2003, purchased service expenses were payments for services rendered by various vendors, as follows:

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Administration Fees to Sponsor (See Note 1)	\$ 69,384
Advertising	6,264
Consulting Fees	43,295
Conferences and Seminars	4,112
Food Service	125,872
Insurance	13,807
Leased Equipment	30,615
Maintenance and Repairs	137,708
Management Company Fees (See Note 15)	321,668
CSAS Consortium Indirect Expenses (See Note 16)	330,578
Professional Fees	30,321
Rent	568,053
Telephone	37,625
Meeting Expenses	7,100
Utilities	63,335
Total Purchased Services	\$ 1,789,737

13. TAX EXEMPT STATUS

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

14. RELATED PARTY TRANSACTIONS

The president of the leasing company, Covenant Development Corp., a 501(c)(3) tax exempt organization, is a board member of the Academy. Covenant Development Corp. leased the Academy's Woodland campus to the Academy of America (Michigan), a 501(c)(3) tax exempt organization, which sub-leased the facility to the Academy of Business and Technology. Two board members of the Academy also serve on boards of at least 7 other community schools that are managed by Charter School Administration Services, Inc. (CSAS). CSAS is also the management company of the Academy. Total rent payments to Academy of America (Michigan) were \$41,520. The Academy has a receivable for \$27,680 due from the Academy of America due to the Academy making eight monthly rental payments after the lease agreement was terminated.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

CSAS, the Academy's management company, also owns CSAS Real Estate, Inc. which leases the Parkwood and Woodland facilities to the Academy. Total lease payments for the year ended June 30, 2003, to CSAS Real Estate, Inc., were \$526,533 for rent. The Academy has an account payable, at June 30, 2003, for \$190,080 due to CSAS Real Estate Inc. Total payments to CSAS were \$652,246, for management fees and CSAS consortium indirect reimbursable expenses.

15. MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective August 1, 1999 through July 31, 2004, with CSAS for educational management services. Total payments to CSAS were \$321,668 for the fiscal year ended June 30, 2003. Payments are not current. In exchange for its services, CSAS receives a management fee equal to 12 percent of all revenue sources and is reimbursed for all cost incurred on behalf of the Academy. In addition, the Academy pays CSAS an annual incentive fee in an amount equal to fifty (50%) percent of the excess of revenue over expenditures, which was not collected by CSAS for the year ended June 30, 2003. Terms of the contract require CSAS to provide the following:

- A. All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the Academy;
- B. Implementation and administration of the Educational Program, including the selection and acquisition of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- C. All personnel functions, including professional development for the 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;
- H. Detailed statements of all revenues received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request;

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

- I. Annual audits in compliance with state law and regulations, showing the manner in which funds are spent at the Academy;
- J. Reports on Academy operations, finances, and students' performance, upon request, but not less frequently than four (4) times per year; and
- K. Any other function necessary or expedient for the administration of the Academy.

16. CONSORTIUM AGREEMENT

On January 14, 2000, the Governing Board approved joining a consortium with eighteen other charter schools and public school academies, each of which is managed by CSAS under management agreements comparable to the management agreement between the Academy and CSAS.

The members of the consortium including the Academy are:

<u>Academy</u>	<u>State of Operation</u>
Academy of Arizona	Arizona
Academy of Business and Technology	Ohio
Academy of Cleveland	Ohio
Academy of Dallas	Texas
Academy of Dayton	Ohio
Academy of Detroit West	Michigan
Academy of Flint	Michigan
Academy of Houston	Texas
Academy of Inkster	Michigan
Academy of Kansas City	Missouri
Academy of Lathrup Village	Michigan
Academy of Lithonia	Georgia
Academy of Michigan	Michigan
Academy of Oak Park	Michigan
Academy of Southfield	Michigan
Academy of Waterford	Michigan

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

<u>Academy</u>	<u>State of Operation</u>
Academy of Westland	Michigan
Beaumont Charter Academy	Texas
Bexar County Academy	Texas
Cherry Hill School of Performing Arts	Michigan

The Management Agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 1999, and the experiences of CSAS in both incurring costs for consortium members and allocation of such costs to consortium members, the Academy and CSAS have agreed upon an equitable method of such allocation. Based upon the above count, the Academy shall pay CSAS, for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium, for the 2002-2003 school year, in an amount equal to \$67 per month per student enrolled at the Academy, totaling \$330,578 for the fiscal year ending June 30, 2003.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
Program Title				
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<u>Nutrition Cluster:</u>				
National School Breakfast Program	134262-05PU-2003	10.553	\$ 1,802	\$ 1,802
National School Lunch Program	134262-LLP4-2002	10.556	96,026	96,026
	134262-LLP4-2003			
Total U.S. Department of Agriculture - Nutrition Cluster			97,828	97,828
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States (IDEA Part B)	134262-6BSF-2003-P	84.027	2,235	
Eisenhower Professional Development State Grants (Title II)	134262-DRS1-2003	84.281	2,858	2,388
Charter Schools	134262-CHS1-2002	84.282	150,000	116,662
Grants to Local Educational Agencies (ESEA Title I)	134262-C1S1-2002 134262-C1S1-2003	84.010	229,446	106,010
Innovative Educational Program Strategies (Title VI)	134262-C2S1-2002 134262-C2S1-2003	84.298	3,179	2,577
Drug-Free Schools Grant (Title IV)	134262-DRS1-2002 134262-DRS1-2003	84.186	3,841	150
Technology Literacy Challenge Fund (Title III Part A)	134262-TJS1-2003	84.318	695	
Improving Teacher Quality (Title II Part A)	134262-TRS1-2003	84.367	16,694	13,698
Class Size Reduction (Title VIR)	134262-CRS1-2001 134262-CRS1-2002	84.340	14,196	
Federal Emergency Repair Program		84.352		78,780
Total Department of Education			423,144	320,265
Total Federal Awards			\$ 520,972	\$ 418,093

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE - MATCHING REQUIREMENTS

Certain Federal programs require the Academy contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - DISCONTINUED PROGRAMS

The Class Size Reduction Program, CFDA #84.340, and Eisenhower Professional Grant Program, CFDA #84.281, have been discontinued with the program purposes continued under a new federal program, Improving Teacher Quality, CFDA #84.367. Discontinued program expenditures were obligations incurred and liquidated under old agreements, and are reported under old CFDA numbers.



**Auditor of State
Betty Montgomery**

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

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

To the Governing Board:

We have audited the financial statements of the Academy of Business and Technology, Lucas County, (the Academy) for the year ended June 30, 2003, and have issued our report thereon dated July 28, 2004, in which we noted that our opinion was qualified because the Academy did not report a provision for income taxes payable or income tax expenses. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the Academy's management in a separate letter dated July 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-002, 2003-003, and 2003-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-002 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Academy's management in a separate letter dated July 28, 2004.

This report is intended for the information and use of the audit committee, management, the Governing Board, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 28, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

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

To the Governing Board:

Compliance

We have audited the compliance of the Academy of Business and Technology, Lucas County, (the Academy), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy'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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

As described in item 2003-005 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding the period of availability that are applicable to the Charter School program. Compliance with such requirements is necessary, in our opinion, in the Academy to comply with requirements applicable to said program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report that we have reported to management of the Academy in a separate letter dated July 28, 2004.

Academy of Business and Technology
Lucas County
Independent Accountants' Report on Compliance with Requirements
Applicable to Major Federal Programs and Internal Control Over
Compliance in Accordance with *OMB Circular A-133*
Page 3

This report is intended for the information and use of the audit committee, management, the Governing Board, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 28, 2004

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**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Charter Schools Grant CFDA # 84.282 Title I CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Noncompliance

Ohio Revised Code § 3314.03 (A) (10), states all community school classroom teachers are to be licensed in accordance with Ohio Revised Code Sections 3319.22 to 3319.31, except that a community school may engage noncertificated persons to teach up to twelve hours per week pursuant to Ohio Revised Code Section 3319.301. A permit must be issued by the Ohio Department of Education to these “noncertificated” persons in order to teach.

Four of thirty-four employees tested were not teaching within the Ohio Department of Education certification guidelines for the grades approved by the certificate. Three of the thirty-four employees tested were not certificated with the Ohio Department of Education. We recommend the Governing Board establish procedures to ensure all teachers are properly licensed and teaching within their licensed guidelines.

FINDING NUMBER 2003-002

Material Weakness

The Academy has not applied for tax exempt status with the Internal Revenue Service (IRS). Although the Academy has indicated they are in the process of filing for such status, without approval of the tax exempt status, the net income consequently is subject to taxation by the IRS. Further, the Academy has not filed any tax returns. The accompanying financial statements do not include amounts associated with an income tax liability or associated fines or penalties.

We recommend the Academy establish provisions for federal and local and accrued taxes. We also recommend the Academy immediately file the appropriate tax forms with the IRS, pay any outstanding taxes due and negotiate a settlement concerning any fees and/or penalties which may be assessed.

FINDING NUMBER 2003-003

Reportable Condition

Fifteen percent of expenditures lacked purchase orders and/or approval as indicated by signature of the Principal/Regional Director.

Review and approval of expenditures by the Principal/Regional Director is a key control in the Academy's disbursement process to determine that expenditures are for a proper purpose, within budget, and charged against proper fund code.

Lack of proper review and approval could result in funds being spent on purchases that are not for a proper public purpose, disbursements that exceed the budgeted amount, payments being made to fictitious vendors, and expenditures not being charged to the correct account.

We recommend purchase orders be issued for all expenditures, and the Principal/Regional Director review and sign each purchase order prior to vendor payment.

FINDING NUMBER 2003-004

Reportable Condition

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls may be in the nature of ongoing activities or periodic separate evaluation by either management or an internal audit function. They can relate to a specific transaction cycle or can be in a more overview nature. Monitoring controls should assist management in making informed decisions on operational and fiscal matters for the Academy, which can include:

- Regular review of financial report summaries of sufficient detail (monthly detailed revenue/expenditure reports) and with independently accumulated information (budgets, past performance, etc.), as submitted by the Fiscal Officer;
- Review of key performance indicators;
- Monthly review and approval of the Academy's expenditures; and
- Monitoring that grant monies are used in accordance with grant requirements.

**FINDING NUMBER 2003-004
 (Continued)**

We recommend the minutes be maintained in a manner documenting (1) review and approval of financial reports as submitted by the Fiscal Officer, (2) review and approval of the Academy’s expenditures, (3) approval of employee pay rates/salary scales, (4) review and approval of grant program applications and participation, and (5) official approval of the minutes records as evidenced by signatures of the Board President and/or Secretary.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance

Finding Number	2003-005
CFDA Title and Number	CFDA #84.282 – Charter Schools Grant
Federal Award Number/Year	2003
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

34CFR80.23(b) states, in pertinent part, that “a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period to coincide with the submission of the annual Financial Status Report. The federal agency may extend this deadline at the request of the grantee.” Also, 34CFR80.50(D)(2) states “the grantee must immediately refund to the federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.”

The Academy included two expenditures, totaling \$26,217, recording these funds as if they had been spent and/or obligated for purchased services. In fact, these funds were not expensed until February 2004, but were reported as expenditures on the Final Expenditure Report submitted to ODE. The grant funding period ended September 30, 2003, and there was no carryover letter or time extension sought for the continued expensing of these funds. As a result, we are questioning \$26,217.

We recommend the Academy (1) implement procedures to ensure that obligations incurred are charged and paid within the period of availability or appropriate ODE carryover extensions are obtained, (2) remit these grant monies to ODE, and (3) report only those monies actually spent in its grant Final Expenditure Reports.

**ACADEMY OF BUSINESS AND TECHNOLOGY
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2002-001	ORC § 3314.03(A)(10) - Teachers are not properly certified.	No	Not corrected. Reissued as Finding 2003-001.
2002-002	Material Weakness - Tax Exempt Status	No	Not corrected. Reissued as Finding 2003-002.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 21, 2004**