



**Auditor of State
Betty Montgomery**

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Autism Academy of Learning
Lucas County
1546 Dartford Road
Maumee, Ohio 43537-1374

To the Governing Board:

We have audited the Balance Sheet of the Autism Academy of Learning, Lucas County, (the Academy) as of June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the year ended June 30, 2003, as listed in the table of contents. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Autism Academy of Learning, Lucas County as of June 30, 2003, and the results of operations 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 January 14, 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".

Betty Montgomery
Auditor of State

January 14, 2004

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**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

Assets

Current Assets

Cash and Cash Equivalents with Fiscal Agent	\$ 67,478
Intergovernmental Receivable	7,615
Prepaid Items	<u>14,125</u>
Total Current Assets	89,218

Non-Current Assets

Security Deposit	11,158
Fixed Assets (Net of Accumulated Depreciation)	<u>13,548</u>
Total Non-Current Assets	<u>24,706</u>

Total Assets	<u><u>\$ 113,924</u></u>
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Liabilities and Fund Equity

Current Liabilities

Accounts Payable	\$ 5,768
Accrued Wages Payable	16,087
Intergovernmental Payable	22,126
Leases Payable - Current Portion	<u>2,350</u>
Total Current Liabilities	46,331

Long-Term Liabilities

Leases Payable - Long-Term Portion	<u>190</u>
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Total Liabilities	46,521
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Fund Equity

Retained Earnings Unreserved	<u>67,403</u>
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Total Fund Equity	<u>67,403</u>
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Total Liabilities and Fund Equity	<u><u>\$ 113,924</u></u>
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The notes to the financial statements are an integral part of this statement.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

Operating Revenues

Special Education	\$ 666,425
Foundation Payments	195,324
Disadvantaged Pupil Impact Aid	<u>713</u>
Total Operating Revenues	<u>862,462</u>

Operating Expenses

Salaries	631,748
Fringe Benefits	166,566
Purchased Services	384,783
Materials and Supplies	27,384
Depreciation	12,984
Other Operating Expenses	<u>19,680</u>
Total Operating Expenses	<u>1,243,145</u>
Operating Loss	<u>(380,683)</u>

Non-Operating Revenues and (Expenses)

Grants - Federal	218,676
Grants - State	47,250
Interest Earnings	1,066
Contributions and Donations	6,467
Interest Charges	<u>(441)</u>
Total Non-Operating Revenues and (Expenses)	<u>273,018</u>
Net Loss	(107,665)
Retained Earnings at Beginning of Period	<u>175,068</u>
Retained Earnings at End of Period	<u><u>\$ 67,403</u></u>

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

**AUTISM ACADEMY OF LEARNING
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	\$ 863,356
Cash Payments to Suppliers for Goods and Services	(419,257)
Cash Payments to Employees for Services	(619,350)
Cash Payments for Employee Benefits	(171,948)
Cash Payments for Other Operating Uses	<u>(19,699)</u>
Net Cash Used for Operating Activities	<u>(366,898)</u>

Cash Flows from Noncapital Financing Activities

Grants - Federal	228,232
Grants - State	47,250
Other Non-Operating Revenues	<u>6,507</u>
Net Cash Provided by Noncapital Financing Activities	<u>281,989</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(3,886)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(3,886)</u>

Cash Flows from Investing Activities:

Interest on Investments	<u>1,066</u>
Net Cash Provided by Investing Activities	<u>1,066</u>

Net (Decrease) in Cash and Cash Equivalents	(87,729)
Cash and Cash Equivalents at the Beginning of the Period	<u>155,207</u>
Cash and Cash Equivalents at the End of the Period	<u><u>\$ 67,478</u></u>

(Continued)

**AUTISM ACADEMY OF LEARNING
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	\$ (380,683)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</u>	
Depreciation	12,984
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	2,410
Decrease in Intergovernmental Receivable	4,364
Decrease in Prepaid Items	231
Increase in Accounts Payable	118
Increase in Accrued Wages Payable	9,547
Decrease in Compensated Absences Payable	(4,316)
Decrease in Notes Payable	(1,834)
Decrease in Intergovernmental Payable	(4,808)
Decrease in Capital Leases Payable	(4,911)
	<hr/>
Total Adjustments	13,785
	<hr/>
Net Cash Used for Operating Activities	<u>\$ (366,898)</u>

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

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The Autism Academy of Learning (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy provides services to autistic students ages 5 through 21 year-round, and operates as a Parent Resource Room which offers parents of enrolled students resources and information on parenting children with autism. 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 Lucas County Educational Service Center (the Sponsor) for a period of five years commencing July 12, 2001. 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. (See Note 11.)

The Academy operates under the direction of a seven 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 instructional/support facility staffed by 26 non-certified personnel and 10 certificated full time teaching personnel who provide services to 38 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is segregated into retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

C. Budgetary Process

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

D. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in a bank account in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with 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 (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the dates received. The Academy maintains a capitalization policy of two hundred dollars. The Academy does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation is computed using the straight-line method of depreciation with an estimated useful life of five years for furniture and equipment and three years for computers and leasehold improvements. Capital leases are depreciated over the remaining useful lives of the related fixed assets.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

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 the Federal Charter Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 to help defray operating costs. Revenue received from these programs is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for the year ended June 30, 2003 totaled \$1,128,388.

G. Prepaid Items

Prepayments represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Security Deposit

The Academy entered into a lease for the use of a building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling \$11,158, is held by the lessor.

3. DEPOSITS AND INVESTMENTS

At June 30, 2003, the carrying amount of the Academy's deposits was \$67,478, and the bank balance was \$88,016. The bank balance was covered by federal depository insurance.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

4. RECEIVABLES

Receivables at June 30, 2003, consisted of 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.

5. FIXED ASSETS

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

Leasehold Improvements	\$ 10,131
Furniture and Equipment	17,604
Capital Leases	11,005
Less: Accumulated Depreciation	<u>(25,192)</u>
Net Fixed Assets	<u><u>\$ 13,548</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 Cincinnati Insurance Agency for commercial umbrella liability, electronic data processing, employers' liability, property and general liability insurance with a \$1,000,000 single occurrence limit and \$1,000,000 aggregate limit and a \$500 deductible.

Professional liability is protected by insurance coverage through the Cincinnati Insurance Agency with a \$1,000,000 single occurrence limit and \$1,000,000 aggregate and no deductible.

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.

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, administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

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 used 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 contributions for pension obligations to SERS for the fiscal year ended June 30, 2003 and the fiscal period ended June 30, 2002 were \$31,418 and \$13,306, respectively; 96.3 percent has been contributed for fiscal year 2003 and 100 percent for the period ended June 30, 2002. The unpaid contribution at June 30, 2003, in the amount of \$1,196, is recorded as a liability.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS 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 STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, 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% 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 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 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 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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13.0 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The Academy's required contributions for pension obligations for the fiscal year ended June 30, 2003, and the fiscal period ended June 30, 2002, were \$30,711 and \$20,624, respectively; 99.39 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal period ended June 30, 2002. The unpaid contribution at June 30, 2003, in the amount of \$188 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 (STRS) 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.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Governing Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the Academy, this amount equaled \$2,348 for the fiscal year ended June 30, 2003. The balance in the fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000, and there were 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 \$12,400. For the Academy, the amount to fund health care benefits, including surcharge, was \$37,759 for fiscal year 2003.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

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. SERS has approximately 50,000 participants currently receiving health care benefits.

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 decision is unconstitutional.

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 are 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 18, 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 schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For the fiscal year ended June 30, 2003, the results of this review resulted in a decrease in an amount that will not be material to the financial statements.

11. FISCAL AGENT

The Academy entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Financial Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

percent (2%) of the monies received by the Academy from the State of Ohio. A total contract payment of \$3,548 was paid during the fiscal year, and no liability was accrued for the year ended June 30, 2003.

The Treasurer of the Sponsor shall perform all of the following functions while serving as the Chief Financial Officer of the Academy:

1. Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
2. Maintain all accounts of the Academy;
3. Maintain all financial records of the Academy and follow procedures for receiving and expending funds which procedures shall include that Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
4. Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
5. Invest funds of the Academy in the same manner as the funds of the sponsor are invested, but the Treasurer shall not commingle the funds with any of the sponsor or any other community school; and
6. Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

12. PURCHASED SERVICE EXPENSES

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

Professional and Technical Services	\$ 151,368
Property Services	118,947
Travel Mileage/Meeting Expense	2,789
Communications	14,498
Utilities	16,640
Contracted Craft or Trade Services	26
Transportation Services	<u>80,515</u>
Total Purchased Services	<u>\$ 384,783</u>

13. CAPITALIZED LEASE - LESSEE DISCLOSURE

The Academy entered into capitalized leases in 2001 for the acquisition of a phone system and copier/document processor. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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

generally as one which transfers benefits and risks of ownership to the lessee. The capital leases have been recorded as fixed assets at the present value of the future minimum lease payments as of the inception dates. Payments for the year totaled \$4,511 for the phone system and \$782 for the copier.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<u>Fiscal Period Ending June 30,</u>	
2004	\$ 2,662
2005	<u>196</u>
Total minimum lease payments	2,858
Less: Amount representing interest	<u>(318)</u>
Present value of minimum lease payments	<u><u>\$ 2,540</u></u>

14. OPERATING LEASES

The Academy entered into operating lease agreements for the Academy's facility and cellular phone service. These agreements are, in substance, rental agreements (operating leases), and are classified as operating lease rental payments in the financial statements. The Academy has the option to renew the facility lease for an additional three-year term, with the rent increase indexed to the Consumer Price Index. Facility lease payments for the year totaled \$121,140, and cellular phone service payments for the year totaled \$1,800.

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

<u>Fiscal Period Ending June 30,</u>	<u>Facility Lease</u>	<u>Cellular</u>
2004	\$131,770	\$1,050
2005	<u>22,316</u>	<u>-</u>
Total minimum lease payments	<u><u>\$ 154,086</u></u>	<u><u>\$ 1,050</u></u>

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**Auditor of State
Betty Montgomery**

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

Autism Academy of Learning
Lucas County
1546 Dartford Road
Maumee, Ohio 43537-1374

To the Governing Board:

We have audited the accompanying financial statements of the Autism Academy of Learning, Lucas County, (the Academy) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 14, 2004. 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.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Academy in a separate letter dated January 14, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Academy in a separate letter dated January 14, 2004.

Autism Academy of Learning
Lucas County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Governing Board, 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

January 14, 2004

**AUTISM ACADEMY OF LEARNING
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; Explain:
2002-10148-001	Ohio Revised Code § 117.28, illegal expenditure of public money.	N/A	Finding no Longer Valid.
2002-10148-002	Ohio Revised Code § 117.28, illegal expenditure of public money.	N/A	Finding no Longer Valid.
2002-10148-003	Ohio Revised Code § 3314.08 (J), note outstanding beyond fiscal year end.	Yes	
2002-10148-004	Ohio Administrative Code § 117-6-07, execution of school-specific bond by Fiscal Officer.	Yes	



**Auditor of State
Betty Montgomery**

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800-282-0370
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AUTISM ACADEMY OF LEARNING

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**