



**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**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
219 Page Street
Toledo, Ohio 43620-1400

To the Governing Board:

We have audited the accompanying basic financial statements of Autism Academy of Learning, Lucas County, (the Academy), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Autism Academy of Learning, Lucas County, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

May 17, 2006

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Autism Academy of Learning's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Assets were \$315,444.
- Total Liabilities were \$85,047.
- Total Net Assets were \$230,397.

Using this Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Reporting the Academy as a Whole

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

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

The Statement of Net Assets and the Statement of Activities report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted state aid and state and federal grants finance most of these activities.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2005 compared to fiscal year 2004:

(Table 1)
Net Assets

| | 2005 | 2004 |
|----------------------------|-------------------|------------------|
| Assets | | |
| Current Assets | \$ 288,733 | \$ 188,475 |
| Security Deposit | | 11,158 |
| Capital Assets, Net | 26,711 | 13,200 |
| <i>Total Assets</i> | <u>315,444</u> | <u>212,833</u> |
| Liabilities | | |
| Current Liabilities | 85,047 | 124,646 |
| Non-Current Liabilities | | 190 |
| <i>Total Liabilities</i> | <u>85,047</u> | <u>124,836</u> |
| Net Assets | | |
| Invested in Capital Assets | 26,711 | 13,010 |
| Unrestricted | 203,686 | 74,987 |
| <i>Total Net Assets</i> | <u>\$ 230,397</u> | <u>\$ 87,997</u> |

Total assets increased by \$102,611, which represents a 48.21% increase from fiscal year 2004. This increase was primarily due to an increase in cash and cash equivalents of \$214,350. Total receivables decreased by \$108,999, due to a reduction in Academy grant fund receipts in fiscal year 2005. Total liabilities decreased by \$39,789, which represents a 31.87% decrease from 2004, due to smaller amounts of accounts payable, accrued payroll, and accrued benefits at June 30, 2005. The Academy's net assets increased \$142,400, which represents a 161.82% increase from 2004.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2005 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

| | 2005 | 2004 |
|--------------------------------|-------------------|------------------|
| Operating Revenues: | | |
| Special Education | \$ 1,056,029 | \$ 788,436 |
| Foundation Payments | 304,857 | 262,611 |
| Disadvantaged Pupil Impact Aid | | 727 |
| Other | 12,074 | |
| Non-Operating Revenues: | | |
| Federal and State Grants | 60,964 | 321,746 |
| Interest | 219 | 130 |
| Contributions and Donations | 32,518 | 10,509 |
| Other | | 14,424 |
| <i>Total Revenues</i> | <u>1,466,661</u> | <u>1,398,583</u> |
| Operating Expenses | | |
| Salaries | 479,626 | 620,071 |
| Fringe Benefits | 131,403 | 226,718 |
| Purchased Services | 610,341 | 457,357 |
| Materials and Supplies | 60,267 | 39,928 |
| Depreciation | 18,922 | 14,777 |
| Other Expenses | 17,500 | 18,826 |
| Non-Operating Expenses: | | |
| Interest and Fiscal Charges | 6,202 | 312 |
| <i>Total Expenses</i> | <u>1,324,261</u> | <u>1,377,989</u> |
| <i>Increase in Net Assets</i> | <u>\$ 142,400</u> | <u>\$ 20,594</u> |

There was an increase in revenues of \$68,078, and a decrease in expenses of \$53,728 from fiscal year 2004. Of the increase in revenues, the special education payments increased by \$267,593, due to an increase in the number of students. Community schools receive no support from tax revenues.

The expense for salaries decreased \$140,445, and the fringe benefits expense decreased \$95,315 from fiscal year 2004. The decreases were primarily due to staff reduction throughout the 2005 school year. Purchased service expense increased in 2005 due to moving expenses and temporary employment service expenses. Materials and supplies expense increased \$20,339, due to additional material and supplies purchases. Depreciation expense increased \$4,145.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2005, the Academy had \$26,711 (net of \$58,891 in accumulated depreciation), invested in a capital lease (phone system/document processor), leasehold improvements, and furniture, fixtures, and equipment, which represented an increase of \$13,511 from 2004. Table 3 shows fiscal year 2005 and fiscal year 2004:

(Table 3)
Capital Assets at June 30, 2005
(Net of Depreciation)

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|-------------------------|-------------------------|
| Leasehold Improvements | \$ 4,834 | |
| Furniture, Fixtures, and Equipment | <u>21,877</u> | \$ 13,200 |
| Totals | <u><u>\$ 26,711</u></u> | <u><u>\$ 13,200</u></u> |

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

Current Financial Issues

The Autism Academy of Learning was formed in 2001. During the 2004-2005 school year, there were approximately 53 students enrolled in the Academy. The Academy receives most of its finances from state aide. Per pupil aide for fiscal year 2005 amounted to \$5,169 per student.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Christine Loehrke, Interim Principal, Autism Academy of Learning, 219 Page Street, Toledo, Ohio 43620 or e-mail at aal_chris@yahoo.com.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets

Current Assets

| | |
|-------------------------------|----------------|
| Cash and Cash Equivalents | \$ 266,908 |
| Accounts Receivable | 1,510 |
| Intergovernmental Receivables | 2,303 |
| Prepaid Items | 18,012 |
| <i>Total Current Assets</i> | <u>288,733</u> |

Non-Current Assets

| | |
|---|---------------|
| Capital Assets, Net of Accumulated Depreciation | 26,711 |
| <i>Total Non-Current Assets</i> | <u>26,711</u> |

| | |
|---------------------|--------------------------|
| <i>Total Assets</i> | <u><u>\$ 315,444</u></u> |
|---------------------|--------------------------|

Liabilities

Current Liabilities

| | |
|----------------------------------|---------------|
| Accounts Payable | \$ 21,689 |
| Accrued Wages and Benefits | 11,530 |
| Intergovernmental Payable | 51,828 |
| <i>Total Current Liabilities</i> | <u>85,047</u> |

Net Assets

| | |
|---|--------------------------|
| Invested in Capital Assets, Net of Related Debt | 26,711 |
| Unrestricted | 203,686 |
| <i>Total Net Assets</i> | <u><u>\$ 230,397</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Operating Revenues

| | |
|---------------------------------|------------------|
| Special Education | \$ 1,056,029 |
| Foundation Payments | 304,857 |
| Other Revenues | <u>12,074</u> |
| <i>Total Operating Revenues</i> | <u>1,372,960</u> |

Operating Expenses

| | |
|---------------------------------|------------------|
| Salaries | 479,626 |
| Fringe Benefits | 131,403 |
| Purchased Services | 610,341 |
| Materials and Supplies | 60,267 |
| Depreciation | 18,922 |
| Other | <u>17,500</u> |
| <i>Total Operating Expenses</i> | <u>1,318,059</u> |
| <i>Operating Income</i> | <u>54,901</u> |

Non-Operating Revenues and (Expenses)

| | |
|--|--------------------------|
| Operating Grants - Federal | 43,334 |
| Operating Grants - State | 17,630 |
| Interest Earnings | 219 |
| Contribution and Donation | 32,518 |
| Interest and Fiscal Charges | <u>(6,202)</u> |
| <i>Total Non-Operating Revenues and (Expenses)</i> | <u>87,499</u> |
| <i>Change in Net Assets</i> | 142,400 |
| <i>Net Assets Beginning of Year</i> | <u>87,997</u> |
| <i>Net Assets End of Year</i> | <u><u>\$ 230,397</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Increase (Decrease) in Cash and Cash Equivalents

| | |
|---|--------------------------|
| <u>Cash Flows from Operating Activities</u> | |
| Cash Received from State of Ohio | \$ 1,369,258 |
| Cash Received from Other Operating Revenues | 10,480 |
| Cash Payments to Suppliers for Goods and Services | (695,971) |
| Cash Payments to Employees for Services | (476,712) |
| Cash Payments for Employee Benefits | <u>(149,718)</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u>57,337</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Cash Received from Operating Grants - Federal | 145,471 |
| Cash Received from Operating Grants - State | 17,630 |
| Cash Received from Contributions and Donations | <u>32,518</u> |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | <u>195,619</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Cash Received from Proceeds of Notes and Loans | 156,886 |
| Cash Payments for Capital Acquisitions | (32,433) |
| Cash Payments for Principal Payments | (157,076) |
| Cash Payments for Interest Payments | <u>(6,202)</u> |
| <i>Net Cash Used for Capital and Related Financing Activities</i> | <u>(38,825)</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Cash Received from Interest on Investments | <u>219</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 214,350 |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | <u>52,558</u> |
| <i>Cash and Cash Equivalents at End of Year</i> | <u><u>\$ 266,908</u></u> |

(Continued)

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

**Reconciliation of Operating Income to Net
Cash Provided by Operating Activities**

| | |
|---|-------------------------|
| Operating Income | \$ 54,901 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation | 18,922 |
| Changes in Assets and Liabilities: | |
| Increase in Accounts Receivable | (1,510) |
| Decrease in Prepaid Items | 5,093 |
| Decrease in Intergovernmental Receivable | 8,372 |
| Decrease in Security Deposits | 11,158 |
| Decrease in Accounts Payable | (26,912) |
| Increase in Accrued Wages and Benefits | 2,914 |
| Decrease in Intergovernmental Payable | <u>(15,601)</u> |
| <i>Total Adjustments</i> | <u>2,436</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u><u>\$ 57,337</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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 which 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) 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. The sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy. (See Note 11.)

The Academy operates under the direction of a nine-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by 19 non-certified and 6 certificated full time teaching personnel who provide services to 53 students.

NOTE 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, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

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

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

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

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. 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 separate accounts 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 presentation on the statement of net assets, investments with original maturities of three months or less, at the time they are purchased by the Academy, are considered to be cash equivalents.

During the year ended June 30, 2005, the Academy had only deposits.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the state special education program. Revenues 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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Intergovernmental Revenues (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The Academy maintains a capitalization threshold 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.

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

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Leasehold Improvements | 3 years |
| Furniture, Fixtures and Equipment | 5 years |
| Computers | 3 years |

I. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily special education payments from the state. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

K. Estimates

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

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. Security Deposits

The Academy terminated a lease for the use of the building for the administration and instruction of the Academy with Harvey A. Tolson in August of 2004. The security deposit totaling \$11,158 was returned to the Academy when the lease was terminated. The Academy then entered into a new lease agreement with the Roman Catholic Diocese of Toledo for the St. Mary of the Assumption Church building and there was no security deposit required. (See Note 13.)

NOTE 3 – DEPOSITS

At fiscal year end June 30, 2005, the carrying amount of the Academy's deposits totaled \$266,908, and its bank balance was \$308,062. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2005, \$208,062 of the bank balance was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation.

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2005, consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|-------------------------------------|-----------------|
| Intergovernmental Receivables | |
| Title IIA '05 | \$ 2,028 |
| Title IID '05 | 275 |
| Total Intergovernmental Receivables | <u>2,303</u> |
| <i>Total All Receivables</i> | <u>\$ 2,303</u> |

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

| | Balance 6/30/04 | Additions | Deletions | Balance 6/30/05 |
|---------------------------------------|--------------------|------------------|-----------|--------------------|
| Enterprise Activity | | | | |
| Leasehold Improvements | \$ 10,131 | \$ 12,317 | | \$ 22,448 |
| Furniture, Fixtures, and Equipment | 32,033 | 20,116 | | 52,149 |
| Capital Leases | 11,005 | | | 11,005 |
| <i>Total Capital Assets</i> | | | | |
| <i>Being Depreciated</i> | <u>53,169</u> | <u>32,433</u> | | <u>85,602</u> |
| Less Accumulated Depreciation: | | | | |
| Leasehold Improvements | (10,131) | (7,483) | | (17,614) |
| Furniture, Fixtures, and Equipment | (18,833) | (11,439) | | (30,272) |
| Capital Leases | (11,005) | | | (11,005) |
| <i>Total Accumulated Depreciation</i> | <u>(39,969)</u> | <u>(18,922)</u> | | <u>(58,891)</u> |
| <i>Total Capital Assets</i> | | | | |
| <i>Being Depreciated, Net</i> | <u>\$ 13,200</u> | <u>\$ 13,511</u> | | <u>\$ 26,711</u> |

NOTE 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. During fiscal year 2005, the Academy contracted with the Cincinnati Insurance Company for general liability and property insurance and educational errors and omissions insurance.

Coverages are as follows:

| | |
|--|-------------|
| Commercial General Liability per Occurrence | \$1,000,000 |
| Commercial General Liability per Aggregate | 1,000,000 |
| Property Coverage | 110,000 |
| Commercial General Liability Personal & Advertising Injury | 1,000,000 |
| Business Income | 100,000 |
| Data Processing | 57,000 |
| Excess Umbrella Liability per Occurrence | 1,000,000 |
| Excess Umbrella Liability per Aggregate | 1,000,000 |
| Directors & Officers Liability per Occurrence | 1,000,000 |
| Directors & Officers Liability per Aggregate | 1,000,000 |
| Business Automobile | 1,000,000 |

The Academy owns no property, but leases a facility located at 219 Page Street, Toledo, OH 43620. (See Note 13.)

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - RISK MANAGEMENT – (Continued)

B. Workers' Compensation

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

C. Employee Benefits

The Academy provides life, dental and medical/surgical benefits to its employees who work 25 or more hours per week through Paramount. The Academy also provides vision benefits to most employees through Vision Service Plan.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website, www.ohsers.org, under Forms and Publications.

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57 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 years ended June 30, 2005, 2004, and 2003, were \$30,754, \$35,628, and \$31,418, respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), 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. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS – (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account.

Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DCP and the DBP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 DBP into the DCP or the CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP 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, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003, were \$33,105, \$30,629, and \$30,711, respectively; 70.22 percent has been contributed for fiscal year 2005 and 100 percent for 2004 and 2003. The balance outstanding is reflected as an intergovernmental payable.

NOTE 8 - POSTEMPLOYMENT 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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS – (Continued)

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$1,850 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,400 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply. .

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$48,091.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

NOTE 9 – SHORT TERM DEBT

A summary of short-term debt transactions for the year ended June 30, 2005, follows:

| | Outstanding 6/30/2004 | Additions | Deductions | Outstanding 6/30/05 |
|---|--------------------------|-------------------|-------------------|------------------------|
| Short-Term Note Payable (Lucas County ESC) | | \$ 53,886 | \$ 53,886 | |
| Promissory Note (Sky Bank) | | 103,000 | 103,000 | |
| Total 2005 Notes Issued | | <u>\$ 156,886</u> | <u>\$ 156,886</u> | |

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 – SHORT TERM DEBT – (Continued)

Lucas County ESC note represents a loan used to meet summer operating expenses.

Sky Bank promissory note represents a loan used to meet summer payroll and other operating expenses.

NOTE 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, 2005.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE has conducted a review of the Academy's 2005 student enrollment data and FTE calculations. For fiscal year 2005, the results of this review resulted in no change.

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging Ohio's Community (i.e., Charter) School's 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 on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for a review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

NOTE 11 - FISCAL AGENT

The Academy entered into a service agreement, as part of its sponsorship contract, with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotments paid to the Academy from the State of Ohio. A total contract payment of \$29,934 was paid during the year, and a liability in the amount of \$2,707 was accrued for the year ended June 30, 2005.

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

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - FISCAL AGENT – (Continued)

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of all state funds of the Academy and follow State Auditor procedures for receiving and expending state funds;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- 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
- 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.

NOTE 12 - PURCHASED SERVICES

For the period July 1, 2004, through June 30, 2005, purchased service expenses were payments for services rendered, as follows:

| | |
|-------------------------------------|--------------------------|
| Professional and Technical Services | \$ 506,629 |
| Property Services | 85,821 |
| Travel Mileage/Meeting Expense | 3,680 |
| Communications | 10,111 |
| Utilities | 3,951 |
| Contracted Craft or Trade Services | 149 |
| <i>Total Purchased Services</i> | <u><u>\$ 610,341</u></u> |

NOTE 13 – OPERATING LEASE

The Academy entered into an operating lease agreement with the Roman Catholic Diocese of Toledo in America, for the operation of the Academy's facility, for a term beginning March 1, 2004, through August 31, 2006. This agreement is, in substance, a rental agreement (operating lease) and is classified as purchased services in the financial statements. The Academy spent \$27,350 for construction of a bathroom on the second floor of the Parish Church. These improvements were in lieu of rent payments from the commencement date of March 1, 2004, to August 31, 2004. Lease payments in the amount of \$8,000 per month commenced September 2004 and terminate August of 2006. Facility lease payments for the year totaled \$84,000.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 – OPERATING LEASE – (Continued)

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2005:

| Year Ending June 30 | Facility Lease |
|------------------------|-------------------|
| 2006 | \$ 96,000 |
| 2007 | 16,000 |
| <i>Total</i> | <u>\$ 112,000</u> |

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**Auditor of State
Betty Montgomery**

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

Autism Academy of Learning
Lucas County
219 Page Street
Toledo, Ohio 43620-1400

To the Board of Education:

We have audited the basic financial statements of Autism Academy of Learning; Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2005, and have issued our report thereon dated May 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

This report is intended for the information and use of management, Audit Committee, the Governing Board, and Sponsor, 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

May 17, 2006



**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

**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
JUNE 15, 2006**