AUTISM ACADEMY OF LEARNING
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

AUTISM ACADEMY OF LEARNING
LUCAS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of the Autism Academy of Learning, Lucas County (the Academy) as of and for the year ended June 30, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007, 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.

Mary Taylor, CPA
Auditor of State

May 11, 2007

AUTISM ACADEMY OF LEARNING
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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, 2006. 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 $407,333.
- Total Liabilities were $59,817.
- Total Net Assets were $347,516.

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.

Table 1 provides a summary of the Academy's net assets for fiscal year 2006 compared to fiscal year 2005:

(Table 1)
Net Assets

	2006	2005
Assets		
Current Assets	$ 373,828	$ 288,733
Capital Assets, Net	33,505	26,711
Total Assets	407,333	315,444
Liabilities		
Current Liabilities	49,942	85,047
Non-Current Liabilities	9,875	
Total Current Liabilities	59,817	85,047
Net Assets		
Invested in Capital Assets	23,630	26,711
Restricted	3,792	
Unrestricted	320,094	203,686
Total Net Assets	$ 347,516	$ 230,397

Total assets increased by $91,889, which represents a 29.13% increase from fiscal year 2005. This increase was primarily due to an increase in cash and cash equivalents of $81,220. Total receivables increased by $2,052. Total liabilities decreased by $25,230, which represents a 29.7% decrease from 2005. This decrease is primarily the result of a decrease in intergovernmental payable, which resulted from a two percent limit being placed on the Academy's SERS surcharge. The Academy's net assets increased $117,119, which represents a 50.8% increase from 2005.

Table 2 shows the changes in net assets for fiscal year 2006 and fiscal year 2005, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2006	2005
Operating Revenues:		
Special Education	$ 1,060,482	$ 1,056,029
Foundation Payments	304,357	304,857
Disadvantaged Pupil Impact Aid	4,479	
Other	2,399	12,074
Non-Operating Revenues:		
Federal and State Grants	86,087	60,964
Interest	379	219
Contributions and Donations	11,485	32,518
Other		
Total Revenues	1,469,668	1,466,661
Operating Expenses		
Salaries	477,546	479,626
Fringe Benefits	111,995	131,403
Purchased Services	713,411	610,341
Materials and Supplies	25,284	60,267
Depreciation	9,444	18,922
Other Expenses	14,716	17,500
Non-Operating Expenses:		
Interest and Fiscal Charges	153	6,202
Total Expenses	1,352,549	1,324,261
Increase in Net Assets	$ 117,119	$ 142,400

There was an increase in revenues of $3,007, and an increase in expenses of $28,288 from fiscal year 2005. The increase in revenues was due primarily to the first time receipt of revenue from the State's Disadvantaged Public Impact Aid Program. Community schools receive no support from tax revenues.

The expense for salaries decreased $2,080, and the fringe benefits expense decreased $19,408 from fiscal year 2005 primarily due to the increased use of a temporary agency to provide teacher aids. Materials and supplies expense decreased by $34,983, due to tightening of purchases of material and supplies made in 2006. Depreciation expense decreased $9,478, due to some assets becoming fully depreciated.

Capital Assets

At the end of fiscal year 2006, the Academy had $33,505 (net of $57,330 in accumulated depreciation), invested in a capital lease (copier), leasehold improvements, and furniture, fixtures, and equipment. Table 3 shows fiscal year 2006 and fiscal year 2005:

(Table 3)
Capital Assets at June 30, 2006
(Net of Depreciation)

	2006	2005
Furniture, Fixtures, and Equipment	17,556	21,877
Leashold Improvements	7,834	4,834
Capital Leases	8,115	
Totals	$ 33,505	$ 26,711

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 2005-2006 school year, there were approximately 51 students enrolled in the Academy. The Academy receives most of its finances from state aide. Per pupil aide for fiscal year 2006 amounted to $5,283 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. Mona Qaimari, Board President of Autism Academy of Learning, 219 Page Street, Toledo, Ohio 43620 or email at drpprl@aol.com.

AUTISM ACADEMY OF LEARNING
LUCAS COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets		
<u>Current Assets</u>		
Cash and Cash Equivalents	$	348,128
Accounts Receivable		393
Intergovernmental Receivables		5,472
Prepaid Items		19,835
Total Current Assets		373,828
<u>Non-Current Assets</u>		
Capital Assets, Net of Accumulated Depreciation		33,505
Total Non-Current Assets		33,505
Total Assets	$	407,333
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable	$	22,594
Accrued Wages and Benefits		10,672
Intergovernmental Payable		16,676
Total Current Liabilities		49,942
<u>Non-Current Liabilities</u>		
Due Within One Year		1,854
Due In More Than One Year		8,021
Total Non-Current Liabilities		9,875
Total Liabilities		59,817
Net Assets		
Invested in Capital Assets, Net of Related Debt		23,630
Restricted		3,792
Unrestricted		320,094
Total Net Assets	$	347,516

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, 2006

Operating Revenues	
Special Education	$ 1,060,482
Foundation Payments	304,357
Poverty Based Assistance	4,479
Other Revenues	2,399
Total Operating Revenues	1,371,717
Operating Expenses	
Salaries	477,546
Fringe Benefits	111,995
Purchased Services	713,411
Materials and Supplies	25,284
Depreciation	9,444
Other	14,716
Total Operating Expenses	1,352,396
Operating Income	19,321
Non-Operating Revenues and (Expenses)	
Operating Grants - Federal	61,707
Operating Grants - State	24,380
Contribution and Donation	11,485
Interest	379
Interest and Fiscal Charges	(153)
Total Non-Operating Revenues and (Expenses)	97,798
Change in Net Assets	117,119
Net Assets Beginning of Year	230,397
Net Assets End of Year	$ 347,516

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, 2006

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 1,369,318
Cash Received from Other Operating Revenues	3,516
Cash Payments to Suppliers for Goods and Services	(741,244)
Cash Payments to Employees for Services	(478,404)
Cash Payments for Employee Benefits	(160,232)
Net Cash Used for Operating Activities	(7,046)
Cash Flows from Noncapital Financing Activities	
Cash Received from Operating Grants - Federal	58,538
Cash Received from Operating Grants - State	24,380
Cash Received from Contributions and Donations	11,485
Net Cash Provided by Noncapital Financing Activities	94,403
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Acquisitions	(6,094)
Principal Payments	(269)
Interest Payments	(153)
Net Cash Used for Capital and Related Financing Activities	(6,516)
Cash Flows from Investing Activities	
Cash Received from Interest on Investments	379
Net Increase in Cash and Cash Equivalents	81,220
Cash and Cash Equivalents at Beginning of Year	266,908
Cash and Cash Equivalents at End of Year	$ 348,128

(Continued)

AUTISM ACADEMY OF LEARNING
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

Reconciliation of Operating Income to Net Cash Used for Operating Activities		
Operating Income	$	19,321
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities		
Depreciation		9,444
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		1,117
(Increase) in Prepaid Items		(1,823)
Increase in Accounts Payable		905
(Decrease) in Accrued Wages and Benefits		(858)
(Decrease) in Intergovernmental Payable		(35,152)
Total Adjustments		(26,367)
Net Cash Used for Operating Activities	$	(7,046)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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 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 10.)

The Academy operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by 12 non-certified and 12 certificated, full-time teaching personnel who provide services to 51 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.

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

The Academy is required to submit a five-year budget forecast with the Ohio Department of Education, c/o Superintendent of Public Instruction.

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, 2006, the Academy had only deposits.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Special Education Program, and the Poverty Based Assistance 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.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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 fifty 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:

Description	Estimated Lives
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.

Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from 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.

NOTE 3 – DEPOSITS

At fiscal year end June 30, 2006, the carrying amount of the Academy's bank balance was $360,266. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, $260,226 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, 2006, 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:

	Amounts
Intergovernmental Receivables	
IDEA-B 2006	$ 208
Title I 2006	881
Title IV 2006	155
ECSE 2006	2,384
Title IIA 2006	1,355
Title IID 2006	489
Total Intergovernmental Receivables	$ 5,472

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006:

	Balance 6/30/05	Additions	Deletions	Adjustments	Balance 6/30/06
Enterprise Activity					
Furniture, Fixtures, and Equipment	$ 52,149	$ 500			$ 52,649
Leasehold Improvements	22,448	5,594			28,042
Capital Leases	11,005	10,144	$ (11,005)		10,144
Total Capital Assets Being Depreciated	85,602	16,238	(11,005)		90,835
Less Accumulated Depreciation:					
Furniture, Fixtures, and Equipment	(30,272)	(7,303)		$ 2,482	(35,093)
Leasehold Improvements	(17,614)	(5,971)		3,377	(20,208)
Capital Leases	(11,005)	(2,029)	11,005		(2,029)
Total Accumulated Depreciation	(58,891)	(15,303)	11,005	5,859	(57,330)
Total Capital Assets Being Depreciated, Net	26,711	935		5,859	33,505

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 2006, the Academy contracted with the Philadelphia 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 12.)

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. SERS 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 School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

A. School Employees Retirement System (Continued)

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 2006, 10.58 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, 2006, 2005, and 2004 were $21,396, $30,754, and $35,628 respectively; 100.0 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

NOTE 7 - DEFINED BENEFIT PENSION PLANS – (Continued)

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 divided by 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 contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the 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.

B. State Teachers Retirement System of Ohio (Continued)

For the fiscal year ended June 30, 2006, 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. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were $32,668, $33,105, and $30,629, respectively; 73.01 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were $40,542 made by the Academy and $26,181 made by the plan members.

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 partial 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.

NOTE 8 - POSTEMPLOYMENT BENEFITS – (Continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of 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, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled $2,651 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled $10,653.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were $178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 9 - 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, 2006.

NOTE 9 – CONTINGENCIES – (Continued)

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 2006 student enrollment data and FTE calculations. For fiscal year 2006, the results of this review resulted in an overpayment of Foundation Revenue of $302, which was repaid to ODE in November 2006.

C. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Autism Academy of Learning is not presently determinable.

NOTE 10 - 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 $26,174 was paid during the year, and a liability in the amount of $2,770 was accrued for the year ended June 30, 2006.

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

- 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 11 - PURCHASED SERVICES

For the period July 1, 2005, through June 30, 2006, purchased service expenses were payments for services rendered, as follows:

Professional and Technical Services	$	585,250
Property Services		108,434
Travel Mileage/Meeting Expense		7,218
Communications		12,000
Utilities		509
Total Purchased Services	$	713,411

NOTE 12 – 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. In November 2005, the Academy entered into a lease amendment for the use of additional space, which increased monthly rent to $8,100 as of January 2006. Facility lease payments for the year totaled $88,600. In September of 2006, the Academy renewed the lease for an additional five year term at a minimum annual cost of $108,000, not to exceed $120,000 annually, payable in twelve monthly payments.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2006:

Year Ending June 30		Facility Lease
2007		16,200
Total	$	16,200

NOTE 13 – CAPITALIZED LEASE – LESSEE DISCLOSURE

The Academy entered into a capital lease in March 2006 for a copier. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease was recorded at the present value of the future minimum lease payments as of the inception date. Principal payments made during fiscal year 2006 totaled $269.

NOTE 13 – CAPITALIZED LEASE – LESSEE DISCLOSURE – (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

Year Ending June 30,	
2006	$1,266
2007	2,532
2008	2,532
2009	2,532
2010	2,532
2011	844
Minimimum Lease Payments	$12,238
Less: Amount representing interest at the Academy's incremental borrowing rate of interest	(2,363)
Present Value of Minimum Lease Payments	$9,875

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Mary Taylor, CPA
Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of Autism Academy of Learning, Lucas County (the Academy) as of and for the year ended June 30, 2006, and have issued our report thereon dated May 11, 2007. 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 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*. In a separate letter to the Academy's management dated May 11, 2007, we reported a matter related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

We intend this report solely for the information and use of the audit committee, management, Governing Board, and Sponsor. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 11, 2007

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 7, 2007

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