



Dave Yost • Auditor of State



**AUTISM MODEL SCHOOL  
LUCAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Autism Model School  
Lucas County  
3020 Tremainsville Road  
Toledo, Ohio 43613

To the Governing Board:

We have audited the accompanying basic financial statements of Autism Model School, Lucas County, Ohio (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Model School, Lucas County, Ohio, as of June 30, 2012, 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 March 20, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 20, 2013

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The management's discussion and analysis of the Autism Model School (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net assets were \$600,038 at June 30 2012.
- The School had operating revenues of \$2,858,334 and operating expenses of \$3,100,149 for fiscal year 2012. The School also received \$340,280 in federal and State grants and \$76,014 in contributions and donations during fiscal year 2012. The total change in net assets for the fiscal year was an increase of \$173,481.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2012?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The table below provides a summary of the School's net assets for fiscal years 2012 and 2011.

	<b>Net Assets</b>	
	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Current assets	\$ 633,196	\$ 433,601
Capital assets, net	<u>110,107</u>	<u>126,782</u>
 Total assets	 <u>743,303</u>	 <u>560,383</u>
<b><u>Liabilities</u></b>		
Current liabilities	132,289	99,445
Non-current liabilities	<u>10,976</u>	<u>34,381</u>
 Total liabilities	 <u>143,265</u>	 <u>133,826</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net		
of related debt	99,131	92,401
Restricted	38,921	25,336
Unrestricted	<u>461,986</u>	<u>308,820</u>
 Total net assets	 <u>\$ 600,038</u>	 <u>\$ 426,557</u>

At June 30, 2012, the School's assets increased by \$182,920, which represents a 33% increase from fiscal year 2011. The increase was primarily due to an increase in cash and cash equivalents which was the result of the increase in Foundation basic aid and special education revenue from the State. Total liabilities increased by \$9,439, which represents a 7% increase. This increase is a result of an increase in intergovernmental and pension obligation payables, related to the timing of payments made during fiscal year 2012. The School's net assets increased by \$173,481, which represents a 41% increase from fiscal year 2011.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The table below shows the changes in net assets for fiscal years 2012 and 2011.

**Change in Net Assets**

	<u>2012</u>	<u>2011</u>
<b><u>Operating Revenues:</u></b>		
Foundation basic aid	\$ 588,656	\$ 468,432
Poverty-based assistance	44,273	32,045
Special education	2,216,962	1,922,816
Tuition and fees	840	
Sales/charges for services		808
Other operating revenue	<u>7,603</u>	<u>20,499</u>
Total operating revenue	<u>2,858,334</u>	<u>2,444,600</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	1,620,468	1,560,597
Fringe benefits	420,610	338,204
Purchased services	771,957	752,120
Materials and supplies	199,559	194,784
Depreciation	45,111	43,209
Other	<u>42,444</u>	<u>37,699</u>
Total operating expenses	<u>3,100,149</u>	<u>2,926,613</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal and state operating grants	340,280	657,124
Interest income	331	245
Contributions and donations	76,014	34,586
Interest and fiscal charges	<u>(1,329)</u>	<u>(4,976)</u>
Total non-operating revenues (expenses)	<u>415,296</u>	<u>686,979</u>
Change in net assets	173,481	204,966
Net assets at beginning of year	<u>426,557</u>	<u>221,591</u>
Net assets at end of year	<u>\$ 600,038</u>	<u>\$ 426,557</u>

State Foundation Basic Aid and Special Education, as a whole are the primary support for the School, representing 86% of total operating and non-operating revenues. Salaries and fringe benefits comprise 66% of total operating and non-operating expenses. The School had total revenues of \$3,274,959, and total expenses of \$3,101,478. The change in net assets for the year was an increase of \$173,481.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Capital Assets**

At June 30, 2012, the School had \$110,107 invested in furniture, fixtures and equipment, capital leases, and vehicles net of accumulated depreciation.

**Debt Administration**

At June 30, 2012, the School had \$10,976 in loans payable. Of this amount, \$4,662 is due within one year and \$6,314 is due in more than one year.

**Current Financial Related Activities**

The School's financial relationship with the Educational Service Center of Lake Erie West as the School's fiscal agent greatly improves the internal control structure and quality of its financial records. During the 2011-2012 school year there were 93 students enrolled in the School.

The School receives its finances mostly from State aid. In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State and Federal funds that are made available to finance its operations.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Mary Walters, Director at Autism Model School, 3020 Tremainsville Road, Toledo Ohio 43613 or email at [autismschool@hotmail.com](mailto:autismschool@hotmail.com).

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents	\$ 574,519
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Receivables:

Accounts	8,432
Intergovernmental	22,683
Prepayments	<u>27,562</u>

Total current assets	<u>633,196</u>
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Non-current assets:

Depreciable capital assets, net	<u>110,107</u>
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Total assets	<u>743,303</u>
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**Liabilities:**

Current liabilities:

Accounts payable	17,835
Accrued wages and benefits	25,414
Pension obligation payable	32,298
Intergovernmental payable	<u>56,742</u>

Total current liabilities	<u>132,289</u>
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Non-current liabilities:

Due within one year	4,662
Due in more than one year	<u>6,314</u>

Total non-current liabilities	<u>10,976</u>
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Total liabilities	<u>143,265</u>
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**Net assets:**

Invested in capital assets, net of related debt	99,131
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Restricted for:

Restricted for federal programs	7,275
Restricted for other purposes	31,646
Unrestricted	<u>461,986</u>

Total net assets	<u><u>\$ 600,038</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Operating revenues:</b>	
Foundation basic aid	\$ 588,656
Poverty-based assistance	44,273
Tuition and fees	840
Special education	2,216,962
Other	7,603
Total operating revenues	<u>2,858,334</u>
<b>Operating expenses:</b>	
Salaries and wages	1,620,468
Fringe benefits	420,610
Purchased services	771,957
Materials and supplies	199,559
Depreciation	45,111
Other	42,444
Total operating expenses	<u>3,100,149</u>
Operating loss	<u>(241,815)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and state operating grants	340,280
Interest income	331
Contributions and donations	76,014
Interest and fiscal charges	(1,329)
Total non-operating revenues (expenses)	<u>415,296</u>
Change in net assets	173,481
<b>Net assets at beginning of year</b>	<u>426,557</u>
<b>Net assets at end of year</b>	<u><u>\$ 600,038</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Cash flows from operating activities:</b>	
Cash received from state foundation	\$ 2,848,236
Cash received from tuition and fees	840
Cash received from other operations	7,603
Cash payments for salaries and wages	(1,629,809)
Cash payments for fringe benefits	(369,469)
Cash payments for contractual services	(781,294)
Cash payments for materials and supplies	(193,716)
Cash payments for other expenses	(45,673)
Net cash used in operating activities	<u>(163,282)</u>
<b>Cash flows from noncapital financing activities:</b>	
Federal and state operating grants	371,597
Cash received from contributions and donations	76,014
Net cash provided by noncapital financing activities	<u>447,611</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(28,436)
Principal payments	(23,405)
Interest payments	(1,329)
Net cash used in capital and related financing activities	<u>(53,170)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>331</u>
Net increase in cash and cash equivalents	231,490
<b>Cash and cash equivalents at beginning of year</b>	343,029
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 574,519</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (241,815)
Adjustments:	
Depreciation	45,111
Changes in assets and liabilities:	
(Increase) in accounts receivable	(8,432)
(Increase) in intergovernmental receivable	(1,655)
Decrease in prepayments	10,665
Increase in accounts payable	1,509
(Decrease) in accrued wages and benefits	(9,341)
Increase in intergovernmental payable	13,244
Increase in pension obligation payable	27,432
Net cash used in operating activities	<u><u>\$ (163,282)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

Autism Model School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School's objective is to address the needs of students' ages 5 to 22 who are diagnosed with autism or anything within the spectrum of autism disorders. The School, 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 School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under an amended and restated contract with the Educational Service Center of Lake Erie West (the "Sponsor") for a period of one year commencing July 1, 2009. The contract terminates on June 30, 2010 and thereafter, renews annually for one-year terms from July 1 to June 30. This contract was renewed for fiscal years 2011 and 2012 by the Sponsor. The Sponsor is responsible for evaluating the performance of the School 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 Educational Service Center of Lake Erie West shall serve as the Chief Financial Officer of the School (See Note 12).

The School operates under the direction of a six-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls the School's two instructional/support facilities staffed by 68 non-certified and 17 certificated personnel who provide services to 93 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB guidance issued after November 30, 1989. The School's significant accounting policies are described below.

**A. Basis of Presentation**

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

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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 statements 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 School finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School'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.

Revenue resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**E. Cash and Cash Equivalents**

All monies received by the School are accounted for by the School's fiscal agent, the Educational Service Center of Lake Erie West. All cash received by the fiscal agent is maintained in separate bank accounts in the School's name. Monies for the School are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During the fiscal year ended 2012, investments were limited to repurchase agreements. Investments were reported at fair value which is based on quoted market prices.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. School maintains a capitalization threshold of \$500.

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

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

<u>Description</u>	<u>Estimated Live</u>
Furniture, Fixtures and Equipment	5 Years
Vehicles	5 Years
Capital Leases	5 Years

**G. Intergovernmental Revenues**

The School currently participates in the Foundation Basic Aid Program, State Poverty-Based Assistance Program and State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Estimates**

The preparation of financial statements in conformity with GAAP 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.

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2012, the School has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 4 - DEPOSITS**

**A. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all School deposits was \$7,046, exclusive of the \$567,473 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the School's entire bank balance of \$73,343 was covered by the Federal Deposit Insurance Corporation (FDIC).

**B. Investments**

As of June 30, 2012, the School had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
Repurchase agreement	<u>\$ 567,473</u>	<u>\$ 567,473</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The Federal National Mortgage Association (FNMA) security underlying the repurchase agreement was rated AA+ by Standard and Poor's and Aaa by Moody's. The School has no investment policy dealing with credit risk beyond the requirements of State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the School's \$567,473 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the School. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The School has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	<u>\$ 567,473</u>	<u>100.00</u>

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 4 - DEPOSITS - (Continued)**

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and Investments per Note</u>	<u>Amount</u>
Carrying amount of Deposits	\$ 7,046
Investments	<u>567,473</u>
Total	<u>\$574,519</u>

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2012, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

<u>Intergovernmental receivables:</u>	<u>Amount</u>
Ohio Department of Education	\$ 1,655
IDEA Part-B	2,455
Title I-A	16,404
Title II-A	8
21st Century grant	<u>2,161</u>
Total intergovernmental receivables	<u>\$ 22,683</u>

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance			Balance
	<u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/12</u>
<i>Capital assets, being depreciated:</i>				
Furniture, fixtures and equipment	\$ 125,636	\$ 16,474		\$ 142,110
Capital leases	16,341			16,341
Vehicles	181,471	11,962		193,433
Total capital assets, being depreciated	<u>323,448</u>	<u>28,436</u>		<u>351,884</u>
<i>Less: accumulated depreciation</i>				
Furniture, fixtures and equipment	(103,110)	(7,620)		(110,730)
Capital leases	(16,341)			(16,341)
Vehicles	(77,215)	(37,491)		(114,706)
Total accumulated depreciation	<u>(196,666)</u>	<u>(45,111)</u>		<u>(241,777)</u>
Governmental activities capital assets, net	<u>\$ 126,782</u>	<u>\$ (16,675)</u>		<u>\$ 110,107</u>

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 7 - LONG-TERM OBLIGATIONS**

The changes in the School's long-term obligations during the year consist of the following:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Amounts Due in One Year
Loans payable	\$ 34,381		\$ (23,405)	\$ 10,976	\$ 4,662

The School entered into loans for the purchase of 5 vans in fiscal year 2009. These loans were each for 36 months with interest rates between 8.0 and 8.5 percent. The School entered into an additional loan for the purchase of a van during fiscal year 2010. The loan was for 60 months with a 6.79% interest rate.

The following is a summary of the future annual debt service requirements to maturity for the vehicle loans:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 4,662	\$ 633	\$ 5,295
2014	5,006	289	5,295
2015	1,308	16	1,324
Total	\$ 10,976	\$ 938	\$ 11,914

**NOTE 8 - RISK MANAGEMENT**

**A. Insurance Coverage**

The School 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 2012, the School contracted with Cincinnati Insurance Company for general liability and property insurance and educational errors and omissions insurance.

Coverage	Limits of Coverage
Commercial General Liability per occurrence	\$ 1,000,000
Commercial General Liability aggregate	3,000,000
Commercial General Liability Personal and Advertising Injury	1,000,000
Business Property:	
Tremainsville Road	200,000
Genoa	6,000
Director's & Officer's Liability	1,000,000

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 8 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. The School owns no property, but leases two facilities located at 3020 Tremainsville Road, Toledo, Ohio and 5725 Adelaide, Toledo, Ohio.

**B. Workers' Compensation**

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

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

The School provides employee medical, dental, and vision insurance to its employees. The School pays 50% of the monthly premium for medical coverage. Effective June 1, 2012, the School pays 50% of the previous medical premium plus the increase in premium cost.

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$90,505, \$79,431 and \$87,687, respectively; 95.36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 9 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$118,677, \$113,771 and \$118,853, respectively; 91.38 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$23,546 made by the School and \$16,819 made by the plan members.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 9 - PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Governing Board have elected Social Security. The School's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$16,052, \$21,594 and \$14,701, respectively; 95.36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,345, \$5,112 and \$5,215, respectively; 95.36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$9,129, \$8,752 and \$9,143, respectively; 91.38 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 11 - OPERATING LEASES**

The School entered into an operating lease agreement on July 1, 2010 with the Roman Catholic Diocese of Toledo to rent the St. Clement Parish Church and adjacent former St. Clement School located at 3020 Tremainsville Road, Toledo, Ohio. The lease is for a two year term terminating on June 30, 2012 with one automatic five year renewal, which the School exercised. Rent will be paid in the amount of \$160,800 annually in monthly installments of \$13,400.

The School also pays \$695 per month to Kelly Colston to rent property located at 5725 Adelaide, Toledo, Ohio.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 12 - FISCAL AGENT**

The School entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Educational Service Center of Lake Erie West (the "Sponsor") to serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the School from the State of Ohio. Total contract payments of \$59,006 in fiscal fees and \$42,714 in Sponsor fees were paid during fiscal year 2012. A liability of \$5,391 was accrued for fiscal fees for the fiscal year ended June 30, 2012.

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

- Maintain custody of all funds received by the School in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the School;
- Maintain all financial records of all State funds of the School and follow State Auditor procedures for receiving and expending State funds;
- Assist the School in meeting all financial reporting requirements established by the Auditor of the State of Ohio;
- Invest funds of the School 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 School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Office of the School so long as the proposed expenditure is within the approved budget and funds are available.

**NOTE 13 - PURCHASED SERVICES**

For fiscal year 2012, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 557,638
Property services	187,656
Travel	5,834
Communications	18,582
Utilities	1,567
Other purchased services	680
Total	<u>\$ 771,957</u>

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**C. Ohio Department of Education Enrollment Review**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2012 reviews, the School is due \$1,655 from the Ohio Department of Education. This amount has been reported as an intergovernmental receivable on the statement of net assets.

**NOTE 15 - SIGNIFICANT SUBSEQUENT EVENT**

The School increased the number of members of the Governing Board from six to eight subsequent to year end. The first new member was added July 31<sup>st</sup>, 2012 and the second member was added September 24<sup>th</sup>, 2012.

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# Dave Yost • Auditor of State

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

Autism Model School  
Lucas County  
3020 Tremainsville Road  
Toledo, Ohio 43613

To the Governing Board:

We have audited the financial statements of Autism Model School, Lucas County, Ohio (the School), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

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

Autism Model School  
Lucas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the audit committee, Governing Board, the Community School's sponsor, and others within the School. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 20, 2013



# Dave Yost • Auditor of State

**AUTISM MODEL SCHOOL**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 11, 2013**