



Dave Yost • Auditor of State



**AUTISM MODEL SCHOOL  
LUCAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Autism Model School  
Lucas County  
3020 Tremainsville Road  
Toledo, Ohio 43613-1901

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Autism Model School, Lucas County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

### ***Opinion***

In our opinion, the 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, 2014, and the changes in

its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 18, 2014

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014. 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 2014 are as follows:

- In total, net position was \$672,996 at June 30, 2014.
- The School had operating revenues of \$3,404,254 and operating expenses of \$3,697,367 for fiscal year 2014. The School also received \$276,360 in federal and State grants and \$31,715 in contributions and donations during fiscal year 2014. The total change in net position for the fiscal year was an increase of \$10,459.

**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 position* and *statement of revenues, expenses and changes in net position* 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 Position, Statement of Revenues, Expenses, and Changes in Net position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, 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 position* and changes in net position. This change in net position 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, 2014  
(Unaudited)

The table below provides a summary of the School's net position for fiscal years 2013 and 2014.

	<b>Net Position</b>	
	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current assets	\$ 647,524	\$ 679,750
Capital assets, net	<u>242,035</u>	<u>239,733</u>
 Total assets	 <u>889,559</u>	 <u>919,483</u>
<b><u>Liabilities</u></b>		
Current liabilities	100,626	108,958
Non-current liabilities	<u>115,937</u>	<u>147,988</u>
 Total liabilities	 <u>216,563</u>	 <u>256,946</u>
<b><u>Net Position</u></b>		
Investment in capital assets	126,098	91,745
Restricted	28,990	50,182
Unrestricted	<u>517,908</u>	<u>520,610</u>
 Total net position	 <u>\$ 672,996</u>	 <u>\$ 662,537</u>

At June 30, 2014, the School's assets decreased by \$29,924 which represents a 3.25% decrease from fiscal year 2013. The decrease was due to a decrease in intergovernmental receivable and prepayments. The School received all grant funding for fiscal year 2014 during the year, and there were no outstanding receivables for grants at June 30, 2014. Total liabilities decreased by \$40,383. This decrease was due partially to principal payments of \$32,051 on the loans payable. The Schools net position increased by \$10,459, which represents a 1.58% increase from fiscal year 2013.



**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

The table below shows the changes in net position for fiscal years 2013 and 2014.

**Change in Net Position**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Revenues:</u></b>		
Foundation basic aid	\$ 740,937	\$ 681,107
Economic disadvantaged funding	39,904	49,227
Special education	2,618,745	2,529,230
Sales/charges for services	-	1,079
Other operating revenue	<u>4,668</u>	<u>4,357</u>
Total operating revenue	<u>3,404,254</u>	<u>3,265,000</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	2,048,906	1,932,770
Fringe benefits	531,112	468,809
Purchased services	797,673	870,283
Materials and supplies	204,589	228,852
Depreciation	62,378	33,307
Other	<u>52,709</u>	<u>34,509</u>
Total operating expenses	<u>3,697,367</u>	<u>3,568,530</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal and state operating grants	276,360	337,765
Interest income	601	430
Contributions and donations	31,715	44,482
Loss on disposal of capital assets	-	(12,406)
Interest and fiscal charges	<u>(5,104)</u>	<u>(4,242)</u>
Total non-operating revenues (expenses)	<u>303,572</u>	<u>366,029</u>
Change in net position	10,459	62,499
Net position at beginning of year	<u>662,537</u>	<u>600,038</u>
Net position at end of year	<u>\$ 672,996</u>	<u>\$ 662,537</u>

State Foundation Basic Aid and Special Education, as a whole are the primary support for the School, representing 90.49% of total operating and non-operating revenues. Salaries and fringe benefits comprise 69.68% of total operating and non-operating expenses.

The School had total revenues of \$3,712,930, and total expenses of \$3,702,471. The change in net position for the year was an increase of \$10,459.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

**Capital Assets**

At June 30, 2014, the School had \$242,035 invested in furniture, fixtures and equipment and vehicles net of accumulated depreciation. See Note 5 in the notes to the basic financial statements for additional detail on capital assets.

**Debt Administration**

At June 30, 2014, the School had \$115,937 in loans payable. Of this amount, \$33,276 is due within one year and \$82,661 is due in more than one year. See Note 8 in the notes to the basic financial statements for more detail on long-term obligations outstanding.

**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 2013-2014 school year there were 112 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 POSITION  
JUNE 30, 2014

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 562,993
Receivables:	
Intergovernmental. . . . .	53,407
Prepayments . . . . .	<u>31,124</u>
Total current assets . . . . .	<u>647,524</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>242,035</u>
Total assets. . . . .	<u>889,559</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	19,756
Accrued wages and benefits . . . . .	33,903
Pension obligation payable. . . . .	15,562
Intergovernmental payable . . . . .	<u>31,405</u>
Total current liabilities . . . . .	<u>100,626</u>
Non-current liabilities:	
Due within one year. . . . .	33,276
Due in more than one year. . . . .	<u>82,661</u>
Total non-current liabilities . . . . .	<u>115,937</u>
Total liabilities . . . . .	<u>216,563</u>
<b>Net position:</b>	
Investment in capital assets. . . . .	126,098
Restricted for:	
Federal programs. . . . .	7,452
Other purposes. . . . .	21,538
Unrestricted. . . . .	<u>517,908</u>
Total net position. . . . .	<u>\$ 672,996</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Operating revenues:</b>	
Foundation basic aid. . . . .	\$ 740,937
Economic disadvantaged funding. . . . .	39,904
Special education. . . . .	2,618,745
Other . . . . .	4,668
Total operating revenues . . . . .	<u>3,404,254</u>
<b>Operating expenses:</b>	
Salaries and wages. . . . .	2,048,906
Fringe benefits. . . . .	531,112
Purchased services. . . . .	797,673
Materials and supplies . . . . .	204,589
Other. . . . .	52,709
Depreciation . . . . .	62,378
Total operating expenses. . . . .	<u>3,697,367</u>
Operating loss. . . . .	<u>(293,113)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and state operating grants. . . . .	276,360
Interest revenue . . . . .	601
Interest and fiscal charges . . . . .	(5,104)
Contributions and donations. . . . .	31,715
Total non-operating revenues (expenses) . . . . .	<u>303,572</u>
Change in net position . . . . .	10,459
<b>Net position at beginning of year. . . . .</b>	<u>662,537</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 672,996</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, 2014

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 3,346,179
Cash received from other operations . . . . .	4,893
Cash payments for salaries and wages. . . . .	(2,041,878)
Cash payments for fringe benefits . . . . .	(520,763)
Cash payments for contractual services . . . . .	(804,923)
Cash payments for materials and supplies . . . . .	(208,194)
Cash payments for other expenses . . . . .	(47,019)
	(271,705)
Net cash used in operating activities. . . . .	(271,705)
<b>Cash flows from noncapital financing activities:</b>	
Federal and state operating grants. . . . .	320,992
Cash received from contributions and donations. . . . .	31,715
	352,707
Net cash provided by noncapital financing activities. . . . .	352,707
<b>Cash flows from capital and related financing activities:</b>	
Line of credit proceeds. . . . .	13,000
Interest and fiscal charges . . . . .	(5,104)
Principal retirement on loans payable. . . . .	(32,051)
Principal retirement on line of credit. . . . .	(13,000)
Acquisition of capital assets . . . . .	(64,680)
	(101,835)
Net cash used in capital and related financing activities. . . . .	(101,835)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	601
	601
Net decrease in cash and cash equivalents. . . . .	(20,232)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>583,225</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 562,993</b>
	562,993
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (293,113)
Adjustments:	
Depreciation . . . . .	62,378
Changes in assets and liabilities:	
Increase in intergovernmental receivable . . . . .	(36,529)
Decrease in prepayments . . . . .	3,891
Decrease in accounts payable. . . . .	(9,269)
Increase in accrued wages and benefits . . . . .	7,028
Decrease in intergovernmental payable . . . . .	(1,926)
Decrease in pension obligation payable . . . . .	(4,165)
	(271,705)
Net cash used in operating activities. . . . .	\$ (271,705)
	(271,705)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 2013 and 2014 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 13).

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 51 non-certified and 16 certificated personnel who provide services to 112 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's significant accounting policies are described below.

**A. Basis of Presentation**

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

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 plus deferred outflows and all liabilities plus deferred inflows are included on the statement of net position. The statement of changes in net position 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 position, 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 2014, the School only had deposits.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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. The School maintains a capitalization threshold of \$1,000.

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 Economic Disadvantaged Funding 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, 2014, 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, 2014

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

**I. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for local grants.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 2014, the School has implemented GASB Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"*.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 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, 2014

**NOTE 4 - DEPOSITS**

**Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all School deposits was \$562,993. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$550,907 of the School's bank balance of \$646,074 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$95,167 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. 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 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 School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance			Balance
	<u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/14</u>
<i>Capital assets, being depreciated:</i>				
Furniture, fixtures and equipment	\$ 171,816	\$ 52,680	\$ -	\$ 224,496
Vehicles	<u>211,954</u>	<u>12,000</u>	<u>-</u>	<u>223,954</u>
Total capital assets, being depreciated	<u>383,770</u>	<u>64,680</u>	<u>-</u>	<u>448,450</u>
<i>Less: accumulated depreciation</i>				
Furniture, fixtures and equipment	(122,842)	(18,787)	-	(141,629)
Vehicles	<u>(21,195)</u>	<u>(43,591)</u>	<u>-</u>	<u>(64,786)</u>
Total accumulated depreciation	<u>(144,037)</u>	<u>(62,378)</u>	<u>-</u>	<u>(206,415)</u>
Capital assets, net	<u>\$ 239,733</u>	<u>\$ 2,302</u>	<u>\$ -</u>	<u>\$ 242,035</u>

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - RECEIVABLES**

The receivables at June 30, 2014, consisted of intergovernmental receivable arising from the FTE adjustment in State Funding. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental receivables:</b>	<u>Amount</u>
Foundation Revenue	\$ 53,407

**NOTE 7 – LINE OF CREDIT**

The School has up to a \$100,000 line of credit with Huntington National Bank. On October 30, 2013, the School borrowed \$13,000 against this line of credit at an interest rate of 5.5%. The School paid off the loan during fiscal year 2014. The School did not have any outstanding obligations at June 30, 2014 on the line of credit.

**NOTE 8 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/14</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Loans payable	\$ 147,988	\$ -	\$ (32,051)	\$ 115,937	\$ 33,276

In fiscal year 2013, the School entered into loans for the purchase of ten vans. These loans were each for 60 months with interest rates between 3.39 percent and 3.79 percent.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 33,276	\$ 3,791	\$ 37,067
2016	34,542	2,518	37,060
2017	35,877	1,190	37,067
2018	<u>12,242</u>	<u>117</u>	<u>12,359</u>
Total	<u>\$ 115,937</u>	<u>\$ 7,616</u>	<u>\$ 123,553</u>

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - 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 2014, 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
Umbrella Liability	5,000,000
Business Property:	
Tremainsville Road - Building	4,500,000
Tremainsville Road – Business personal property	1,175,000
St. Clement Court	5,000
Director’s & Officer’s Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School owns no property, but leases facilities located at 3020 Tremainsville Road, Toledo, Ohio, 2020 W Central Avenue, Toledo, Ohio, and 2700 St. Clement Court, 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, 2014, the School pays 50% of the previous medical premium plus 50% of the increase in premium cost.

**NOTE 10 - 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”.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - PENSION PLANS - (Continued)**

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 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$112,718, \$103,205 and \$90,505, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**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.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$153,021, \$148,253 and \$118,667, respectively; 97.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$14,096 made by the School and \$11,076 made by the plan members.

**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, 2014 certain members of the Governing Board have elected Social Security. The School's liability is 6.2 percent of wages paid.

**NOTE 11 - 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$18,331, \$13,393 and \$16,052, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,539, \$5,830 and \$5,345, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**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 2014, 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, 2014, 2013 and 2012 were \$11,771, \$11,404 and \$9,129, respectively; 97.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - OPERATING LEASE**

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 terminated on June 30, 2012 with one automatic five year renewal. The monthly rental payment was \$14,600 for July through September and \$15,600 for October through June.

**NOTE 13 - 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 \$67,667 in fiscal fees and \$50,926 in Sponsor fees were paid during fiscal year 2014. A liability of \$5,629 was accrued for fiscal fees for the fiscal year ended June 30, 2014.

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.



**AUTISM MODEL SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 14 - PURCHASED SERVICES**

For fiscal year 2014, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 549,363
Property services	197,364
Travel	11,812
Communications	19,392
Other purchased services	<u>19,742</u>
Total	<u>\$ 797,673</u>

**NOTE 15 - 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. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time.

**B. 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. For fiscal year 2014, the result of this review resulted in an underpayment of Foundation Revenue of \$53,407, and is reported as an intergovernmental receivable on the financial statements at June 30, 2014.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 43613-1901

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Autism Model School, Lucas County, Ohio (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 18, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

December 18, 2014



# 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  
DECEMBER 30, 2014**