



Dave Yost • Auditor of State

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Autism Academy of Learning
Lucas County
110 Arco Drive
Toledo, Ohio 43607

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Autism Academy of Learning, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 Academy'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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Autism Academy of Learning, Lucas County, Ohio, as of June 30, 2016, 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*, and schedules of net pension liabilities and pension contributions 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 April 10, 2017, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 10, 2017

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The management's discussion and analysis of the Autism Academy of Learning (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position was a deficit of \$1,813,820 at June 30, 2016.
- The Academy had operating revenues of \$1,623,177 and operating expenses of \$1,814,514 for fiscal year 2016. The Academy also received \$142,844 in federal and State grants during fiscal year 2016. The total change in net position for the fiscal year was a decrease of \$53,288.

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 Academy'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 Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy 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 2016?" 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 Academy's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy 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 Academy finances and is meeting the cash flow needs of its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report as presents certain required supplementary information concerning the Academy's net pension liability.

The table below provides a summary of the Academy's net position for fiscal year 2016 and 2015.

Net Position

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets	\$ 427,863	\$ 486,247
Capital assets, net	<u>17,793</u>	<u>26,969</u>
Total assets	<u>445,656</u>	<u>513,216</u>
<u>Deferred outflows</u>	<u>425,965</u>	<u>166,741</u>
<u>Liabilities</u>		
Current liabilities	81,939	117,514
Non-current liabilities:		
Due within one year	3,971	3,740
Net pension liability	2,487,741	1,966,820
Other amounts due in more than one year	<u>3,138</u>	<u>7,109</u>
Total liabilities	<u>2,576,789</u>	<u>2,095,183</u>
<u>Deferred inflows</u>	<u>108,652</u>	<u>345,306</u>
<u>Net Position</u>		
Net investment in capital assets	10,684	16,120
Restricted	20,743	7,795
Unrestricted (deficit)	<u>(1,845,247)</u>	<u>(1,784,447)</u>
Total net position (deficit)	<u>\$ (1,813,820)</u>	<u>\$ (1,760,532)</u>

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At June 30, 2016, the Academy's assets decreased by \$67,560. Cash and cash equivalents decreased by \$68,749. Current liabilities decreased by \$35,575 from fiscal year 2015. The net position of the Academy decreased \$53,288, which represents a 3.03 percent decrease from fiscal year 2015.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2016 and 2015.

Change in Net Position

	<u>2016</u>	<u>2015</u>
<u>Operating Revenues:</u>		
Special education	\$ 1,254,063	\$ 1,211,950
Foundation basic aid	365,600	345,081
Sales/charges for services	1,211	-
Other operating revenue	<u>2,303</u>	<u>3,918</u>
Total operating revenue	<u>1,623,177</u>	<u>1,560,949</u>
<u>Operating Expenses:</u>		
Salaries and wages	982,307	1,013,520
Fringe benefits	257,755	145,346
Purchased services	473,633	464,074
Materials and supplies	56,931	57,139
Depreciation	8,986	16,697
Other	<u>34,902</u>	<u>32,083</u>
Total operating expenses	<u>1,814,514</u>	<u>1,728,859</u>
<u>Non-operating revenues (expenses):</u>		
Federal and state grants	142,844	125,303
Interest income	13	1,030
Contributions and donations	839	2,429
Loss on disposal of capital assets	(5,098)	-
Interest and fiscal charges	<u>(549)</u>	<u>(766)</u>
Total non-operating revenues (expenses)	<u>138,049</u>	<u>127,996</u>
Change in net position	(53,288)	(39,914)
Net position (deficit) at beginning of year	<u>(1,760,532)</u>	<u>(1,720,618)</u>
Net position (deficit) at end of year	<u>\$ (1,813,820)</u>	<u>\$ (1,760,532)</u>

State Foundation Basic Aid and Special Education, as a whole, are the primary support for the Academy, representing 91.67 percent of the total operating and non-operating revenue during fiscal year 2016. Community schools receive no support from tax revenues.

Operating expenses remained relatively stable from fiscal year 2015 to fiscal year 2016, with a slight increase of 4.95 percent, primarily due to an increase in fringe benefits expense related to the net pension liability.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Capital Assets

At June 30, 2016, the Academy had \$17,793 invested in furniture, fixtures and equipment, vehicles and capital leases net of accumulated depreciation. The Academy had \$6,057 in capital acquisitions and \$8,986 in depreciation expense in fiscal year 2016 and disposals, net of accumulated depreciation of \$6,247. Capital assets, net of accumulated depreciation decreased \$9,176 from fiscal year 2015. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2016, the Academy had \$7,109 in capital lease obligations outstanding. Of this amount, \$3,971 was due in one year and \$3,138 was due in more than one year. See Note 12 in the notes to the basic financial statements for more detail on long-term obligations.

Current Financial Related Activities

The Autism Academy of Learning was formed in 2001. During the 2015-2016 school year there were 52 students enrolled in the Academy. The Academy receives its finances mostly from State aid. In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Carol Holmes, Board President of Autism Academy of Learning, 110 Arco Drive, Toledo, Ohio 43607 or email at board@theautismacademy.org.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 321,919
Receivables:	
Accounts	625
Intergovernmental	72,811
Prepayments	32,508
Total current assets	<u>427,863</u>
Non-current assets:	
Depreciable capital assets, net	<u>17,793</u>
Total assets.	<u>445,656</u>
Deferred outflows of resources:	
Pension - STRS.	262,222
Pension - SERS.	163,743
Total deferred outflows of resources	<u>425,965</u>
Liabilities:	
Current liabilities:	
Accounts payable.	26,800
Accrued wages and benefits	36,981
Pension obligation payable.	8,952
Intergovernmental payable	<u>9,206</u>
Total current liabilities	<u>81,939</u>
Non-current liabilities:	
Due within one year.	3,971
Due in more than one year:	
Net pension liability.	2,487,741
Other amounts due in more than one year	<u>3,138</u>
Total non-current liabilities	<u>2,494,850</u>
Total liabilities	<u>2,576,789</u>
Deferred inflows of resources:	
Pension - STRS.	86,423
Pension - SERS.	22,229
Total deferred inflows of resources	<u>108,652</u>
Net position:	
Net investment in capital assets.	10,684
Restricted for:	
Locally funded programs.	5,765
Federal programs.	14,978
Unrestricted (deficit).	<u>(1,845,247)</u>
Total net position (deficit).	<u>\$ (1,813,820)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
Foundation revenue	\$ 365,600
Special education.	1,254,063
Sales/charges for services.	1,211
Other	2,303
Total operating revenues	<u>1,623,177</u>
Operating expenses:	
Salaries and wages.	982,307
Fringe benefits.	257,755
Purchased services.	473,633
Materials and supplies	56,931
Other.	34,902
Depreciation	8,986
Total operating expenses.	<u>1,814,514</u>
Operating loss.	<u>(191,337)</u>
Non-operating revenues (expenses):	
Federal and state grants.	142,844
Interest revenue	13
Loss on disposal of capital assets	(5,098)
Contributions and donations.	839
Interest and fiscal charges	(549)
Total nonoperating revenues (expenses)	<u>138,049</u>
Change in net position	(53,288)
Net position (deficit) at beginning of year.	<u>(1,760,532)</u>
Net position (deficit) at end of year	<u><u>\$ (1,813,820)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from state foundation	\$ 1,610,193
Cash received from sales/charges for services.	1,211
Cash received from other operations	2,453
Cash payments for salaries and wages.	(976,585)
Cash payments for fringe benefits	(264,514)
Cash payments for contractual services	(497,290)
Cash payments for materials and supplies	(59,029)
Cash payments for other expenses	(30,920)
	<hr/>
Net cash used in operating activities.	(214,481)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	163,482
Cash received from contributions and donations	1,039
	<hr/>
Net cash provided by noncapital financing activities.	164,521
Cash flows from capital and related financing activities:	
Gain on sale of capital assets.	1,149
Interest and fiscal charges	(549)
Principal retirement on capital lease	(3,740)
Acquisition of capital assets	(15,662)
	<hr/>
Net cash used in capital and related financing activities.	(18,802)
Cash flows from investing activities:	
Interest received	13
	<hr/>
Net decrease in cash and cash equivalents.	(68,749)
Cash and cash equivalents at beginning of year	390,668
Cash and cash equivalents at end of year	\$ 321,919
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (191,337)
Adjustments:	
Depreciation	8,986
Changes in assets and liabilities:	
(Increase) in accounts receivable	(475)
(Increase) in intergovernmental receivable	(6,978)
(Increase) in prepayments	(23,750)
(Decrease) in accounts payable.	(10,601)
Increase in accrued wages and benefits	5,722
(Decrease) in intergovernmental payable	(9,487)
Increase in net pension liability.	520,921
(Decrease) in deferred inflows - pension	(236,654)
(Increase) in deferred outflows - pension	(259,224)
(Decrease) in pension obligation payable	(11,604)
	<hr/>
Net cash used in operating activities	\$ (214,481)
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Non-cash transaction:

The Academy purchased \$9,605 in capital assets on account in fiscal year 2015.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE ACADEMY

Autism Academy of Learning (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events which have occurred that might adversely affect the Academy's tax exempt status. The Academy provides services to students with autism ages 5 through 21 year-round and operates a Parent Resource Room, which offers parents of enrolled students resources and information on parenting children with autism. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Service Center of Lake Erie West (the "Sponsor") commencing July 12, 2001. The sponsorship agreement has been renewed on a yearly basis since the expiration of the original contract. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of Educational Service Center of Lake Erie West shall serve as the Chief Financial Officer of the Academy (See Note 13).

The Academy operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by 30 non-certified and 13 certified teaching personnel who provide services to 52 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy 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 Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy'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 ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Academy 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 Academy's financial statements are prepared using the accrual basis of accounting.

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

Revenue resulting from nonexchange transactions, in which the Academy 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 Academy must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, see Note 8 for deferred outflows of resources related to the Academy's net pension liability.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Note 8 for deferred inflows related to the Academy's net pension liability.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

E. Budgetary Process

The contract between the Academy 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 Academy to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

F. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy'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 Academy's name. Monies for the Academy 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 Academy 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 2016, the Academy only had deposits.

G. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The Academy maintains a capitalization threshold of \$1,500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Live</u>
Leasehold improvements	3 Years
Furniture, fixtures and equipment	5 Years
Vehicles	5 Years
Computers	3 Years

H. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program, Title I, IDEA-B grant and Improving Teacher Quality program. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

**AUTISM ACADEMY OF LEARNING
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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.

J. 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 Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. 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.

M. Operating Revenues and Expenses

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

**AUTISM ACADEMY OF LEARNING
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3 - CHANGES IN ACCOUNTING POLICIES

For fiscal year 2016, the Academy has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Academy.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Academy.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2016, the carrying amount of all Academy deposits was \$321,919. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, the Academy's bank balance was \$326,843, of this \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC). \$76,843 of the Academy's bank balance was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Academy'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 Academy. The Academy 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 Academy to a successful claim by the FDIC.

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(Continued)

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable from miscellaneous receipts. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
Casino revenue sharing	\$ 1,425
IDEA Part B	7,033
ODE Enrollment review	6,978
Medicaid	<u>57,375</u>
Total intergovernmental receivables	<u>\$ 72,811</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>06/30/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>06/30/16</u>
<i>Capital assets, being depreciated:</i>				
Furniture, fixtures and equipment	\$ 58,275	\$ 6,057	\$ (39,180)	\$ 25,152
Vehicles	138,181	-	-	138,181
Capital leases	<u>18,440</u>	<u>-</u>	<u>-</u>	<u>18,440</u>
Total capital assets, being depreciated	<u>214,896</u>	<u>6,057</u>	<u>(39,180)</u>	<u>181,773</u>
<i>Accumulated depreciation:</i>				
Furniture, fixtures and equipment	(42,942)	(2,882)	32,933	(12,891)
Vehicles	(135,765)	(2,416)	-	(138,181)
Capital leases	<u>(9,220)</u>	<u>(3,688)</u>	<u>-</u>	<u>(12,908)</u>
Total accumulated depreciation	<u>(187,927)</u>	<u>(8,986)</u>	<u>32,933</u>	<u>(163,980)</u>
Capital assets, net	<u>\$ 26,969</u>	<u>\$ (2,929)</u>	<u>\$ (6,247)</u>	<u>\$ 17,793</u>

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(Continued)

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the Academy contracted with Philadelphia Insurance Company for general liability and property insurance and educational errors and omissions insurance.

Coverage is as follows:

<u>Coverage</u>	<u>Limits of Coverage</u>
Commercial General Liability per occurrence	\$ 1,000,000
Commercial General Liability aggregate	3,000,000
Personal Injury and Property Damage	1,000,000
Professional Liability – Teachers per occurrence	1,000,000
Professional Liability – Teachers aggregate	3,000,000
Business Automobile	1,000,000
Umbrella Liability	5,000,000

Settled claims have not exceeded this coverage in any of the past three years. There has been no other significant reduction in coverage from the prior fiscal year.

The Academy owns no property, but leased a facility at 110 Arco Dr. Toledo, Ohio 43607 during the year (See Note 10).

B. Workers' Compensation

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

C. Employee Benefits

The Academy provides vision benefits to most employees through Vision Service Plan and dental benefits through Delta Dental.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in pension benefits payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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(Continued)

NOTE 8- DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The Academy’s contractually required contribution to SERS was \$73,011 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$73,553 for fiscal year 2016.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 1,033,077	\$ 1,454,664	\$ 2,487,741
Proportion of the net pension liability	0.01810480%	0.00526345%	
Pension expense	\$ 92,960	\$ 78,647	\$ 171,607

At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 16,024	\$ 65,367	\$ 81,391
Changes in proportionate share Academy contributions subsequent to the measurement date	74,708	123,302	198,010
	73,011	73,553	146,564
Total deferred outflows of resources	\$ 163,743	\$ 262,222	\$ 425,965
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 22,229	\$ 86,423	\$ 108,652
Total deferred inflows of resources	\$ 22,229	\$ 86,423	\$ 108,652

\$146,564 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	\$ 15,208	\$ 12,967	\$ 28,175
2018	15,208	12,967	28,175
2019	15,209	12,966	28,175
2020	22,878	63,346	86,224
Total	\$ 68,503	\$ 102,246	\$ 170,749

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Academy's net pension liability is expected to be significant.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Academy's proportionate share of the net pension liability	\$ 1,432,507	\$ 1,033,077	\$ 696,725

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$ 2,020,638	\$ 1,454,664	\$ 946,048

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the Academy's surcharge obligation was \$9,126.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$9,126, \$12,811, and \$9,561, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$3,866, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 10 - OPERATING LEASE

The Academy entered into an operating lease agreement with Thomas Schlachter and Paul Avery, for the operation of the Academy's facility, for a term beginning June 1, 2015 through June 30, 2020. This agreement is, in substance, a rental agreement (operating lease) and is classified as purchased services in the financial statements. Facilities lease payments for the year totaled \$121,528 during fiscal year 2016, including \$9,348 in July 2016 rental payments recorded as a prepaid asset.

NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In a prior year, the Academy entered into a capital lease for copier equipment. Principal payments made totaled \$3,740 for fiscal year 2016.

Capital assets have been capitalized in the amount of \$18,440. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 was \$12,908, leaving a current book value of \$5,532. A corresponding liability is recorded on the statement of net position.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE – (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2016:

Fiscal Year Ending <u>June 30,</u>	<u>Payments</u>
2017	\$ 4,289
2018	<u>3,217</u>
Total future minimum lease payments	7,506
Less: amount representing interest	<u>(397)</u>
Present value of future minimum lease payments	<u>\$ 7,109</u>

NOTE 12 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/16</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Capital lease obligation	\$ 10,849	\$ -	\$ (3,740)	\$ 7,109	\$ 3,971
Net pension liability	<u>1,966,820</u>	<u>520,921</u>	<u>-</u>	<u>2,487,741</u>	<u>-</u>
Total Long-term obligations	<u>\$ 1,977,669</u>	<u>\$ 520,921</u>	<u>\$ (3,740)</u>	<u>\$ 2,494,850</u>	<u>\$ 3,971</u>

See Note 11 for details on capital lease obligations.

See Note 8 for details on net pension liability.

NOTE 13 - FISCAL AGENT

The Academy 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 Academy. As part of this agreement, the Academy shall compensate the Sponsor two percent of the per pupil allotment paid to the Academy from the State of Ohio. Total contract payments of \$31,535 in fiscal fees and \$32,045 in Sponsor fees were paid during fiscal year 2016. A liability in the amount of \$2,972 was accrued for June 2016 fiscal fees.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 13 - FISCAL AGENT – (Continued)

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

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

NOTE 14 - PURCHASED SERVICES

For fiscal year 2016, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 279,477
Property services	143,002
Travel	3,037
Communications	7,274
Utilities	38,692
Other	<u>2,151</u>
Total	<u>\$ 473,633</u>

NOTE 15 - CONTINGENCIES

A. Grants

The Academy 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. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2016, if applicable, cannot be determined at this time.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 15 – CONTINGENCIES – (Continued)

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2016 reviews, the Academy is due \$6,978 from the Ohio Department of Education. This amount is reported as an intergovernmental receivable on the Statement of Net Position.

C. Litigation

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

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Academy's proportion of the net pension liability	0.01810480%	0.01615700%	0.01615700%
Academy's proportionate share of the net pension liability	\$ 1,033,077	\$ 817,697	\$ 960,805
Academy's covered-employee payroll	\$ 545,053	\$ 469,502	\$ 517,681
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.16%	185.60%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Academy's proportion of the net pension liability	0.00526345%	0.00472434%	0.00472434%
Academy's proportionate share of the net pension liability	\$ 1,454,664	\$ 1,149,123	\$ 1,368,828
Academy's covered-employee payroll	\$ 549,150	\$ 482,700	\$ 382,931
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	357.46%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 73,011	\$ 71,838	\$ 65,073	\$ 71,647
Contributions in relation to the contractually required contribution	<u>(73,011)</u>	<u>(71,838)</u>	<u>(65,073)</u>	<u>(71,647)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 521,507	\$ 545,053	\$ 469,502	\$ 517,681
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 80,381	\$ 64,977	\$ 66,745	\$ 42,197	\$ 41,833	\$ 23,762
<u>(80,381)</u>	<u>(64,977)</u>	<u>(66,745)</u>	<u>(42,197)</u>	<u>(41,833)</u>	<u>(23,762)</u>
<u>\$ -</u>					
\$ 597,628	\$ 516,921	\$ 492,947	\$ 428,831	\$ 425,998	\$ 222,491
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 73,553	\$ 76,881	\$ 62,751	\$ 49,781
Contributions in relation to the contractually required contribution	<u>(73,553)</u>	<u>(76,881)</u>	<u>(62,751)</u>	<u>(49,781)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 525,379	\$ 549,150	\$ 482,700	\$ 382,931
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 56,422	\$ 57,498	\$ 58,039	\$ 50,829	\$ 56,035	\$ 46,678
<u>(56,422)</u>	<u>(57,498)</u>	<u>(58,039)</u>	<u>(50,829)</u>	<u>(56,035)</u>	<u>(46,678)</u>
<u>\$ -</u>					
\$ 434,015	\$ 442,292	\$ 446,454	\$ 390,992	\$ 431,038	\$ 359,062
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.



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 Academy of Learning
Lucas County
110 Arco Drive
Toledo, Ohio 43607

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 the Autism Academy of Learning, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 10, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy'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 Academy'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 Academy'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 Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy'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

April 10, 2017



Dave Yost • Auditor of State

AUTISM ACADEMY OF LEARNING

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2017**