



**Auditor of State
Betty Montgomery**

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Autism Academy of Learning
Lucas County
1546 Dartford Road
Maumee, Ohio 43537-1374

To the Governing Board:

We have audited the Balance Sheet of the Autism Academy of Learning, Lucas County, (the Academy) as of June 30, 2002, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the period July 12, 2001 through June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Autism Academy of Learning, Lucas County as of June 30, 2002, and the results of operations and its cash flows for the period July 12, 2001 through June 30, 2002 then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 22, 2003

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**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2002**

Assets

Current Assets

Cash and Cash Equivalents with Fiscal Agent	\$	155,207
Accounts Receivable		2,891
Intergovernmental Receivable		21,535
Prepaid Items		14,356
		14,356

Total Current Assets 193,989

Non-Current Assets

Security Deposit		11,158
Fixed Assets (Net of Accumulated Depreciation)		22,646
		22,646

Total Non-Current Assets 33,804

Total Assets \$ 227,793

Liabilities and Fund Equity

Current Liabilities

Accounts Payable	\$	5,650
Accrued Wages Payable		6,540
Compensated Absences Payable		4,316
Intergovernmental Payable		26,934
Notes Payable		1,834
Leases Payable - Current Portion		5,293
		5,293

Total Current Liabilities 50,567

Long-Term Liabilities

Leases Payable - Long-Term Portion		2,158
		2,158

Total Liabilities 52,725

Fund Equity

Retained Earnings Unreserved		175,068
		175,068

Total Fund Equity 175,068

Total Liabilities and Fund Equity \$ 227,793

The notes to the financial statements are an integral part of this statement.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
FOR THE PERIOD JULY 12, 2001 THROUGH JUNE 30, 2002**

Operating Revenues

Foundation Payments	\$	193,587
Disadvantaged Pupil Impact Aid		617,274
Other Operating Revenues		40
		810,901
Total Operating Revenues		810,901

Operating Expenses

Salaries		439,703
Fringe Benefits		144,175
Purchased Services		259,794
Materials and Supplies		98,747
Depreciation		12,208
Other Operating Expenses		3,628
		958,255
Total Operating Expenses		958,255
Operating Loss		(147,354)

Non-Operating Revenues and (Expenses)

Grants - Federal		167,171
Grants - State		150,000
Interest Earnings		1,223
Contributions and Donations		4,534
Interest Charges		(731)
Other Non-Operating Receipts		225
		322,422
Total Non-Operating Revenues and (Expenses)		322,422
Net Income		175,068
Retained Earnings at Beginning of Period		-
Retained Earnings at End of Period	\$	175,068

The notes to the financial statements are an integral part of this statement.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 12, 2001 THROUGH JUNE 30, 2002**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 809,967
Cash Payments to Suppliers for Goods and Services	(374,234)
Cash Payments to Employees for Services	(436,014)
Cash Payments for Employee Benefits	(116,395)
Cash Payments for Other Operating Uses	<u>(7,799)</u>
Net Cash Used for Operating Activities	<u>(124,475)</u>

Cash Flows from Noncapital Financing Activities

Grants Received - Federal	150,000
Grants Received - State	150,000
Other Non-Operating Revenues	<u>3,110</u>
Net Cash Provided by Noncapital Financing Activities	<u>303,110</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Sale of Notes	5,000
Principal Payments	(3,166)
Interest Payments	(200)
Payments for Capital Acquisitions	(22,201)
Principal Payments on Capital Lease	(3,553)
Interest Payments on Capital Lease	<u>(531)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(24,651)</u>

Cash Flows from Investing Activities:

Interest on Investments	<u>1,223</u>
Net Cash Provided by Investing Activities	<u>1,223</u>
Net Increase in Cash and Cash Equivalents	155,207
Cash and Cash Equivalents at the Beginning of the Period	<u>-</u>
Cash and Cash Equivalents at the End of the Period	<u><u>\$ 155,207</u></u>

(Continued)

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 12, 2001 THROUGH JUNE 30, 2002
(Continued)**

**Reconciliation of Operating Loss to
Net Cash Used for Operating Activities**

Operating Loss	\$ (147,354)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities**

Depreciation	12,208
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(2,891)
(Increase) in Intergovernmental Receivable	(4,364)
(Increase) in Prepaid Items	(14,356)
(Increase) in Security Deposit	(11,158)
Increase in Accounts Payable	5,650
Increase in Accrued Wages Payable	6,540
Increase in Compensated Absences Payable	4,316
Increase in Intergovernmental Payable	26,934
	<hr/>
Total Adjustments	22,879
	<hr/>
Net Cash Used for Operating Activities	<u>\$ (124,475)</u>

Noncash Investing, Capital, and Financing Activities

The Academy received a donation of playground equipment during the year. The equipment was valued at \$1,649 at the time of donation.

The Academy financed the purchase of a phone system through a capital lease arrangement. The equipment was valued at \$8,657 at the time of purchase.

The Academy financed the purchase of a copier/document processor through a capital lease arrangement. The equipment was valued at \$2,346 at the time of purchase.

The notes to the financial statements are an integral part of this statement.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The 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 that have occurred that might adversely affect the Academy's tax-exempt status. The Academy provides services to autistic students ages 5 through 21 year-round, and operates as a Parent Resource Room which offers parents of enrolled students resources and information on parenting children with autism. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing July 12, 2001. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. (See Note 11.)

The Academy operates under the direction of a seven 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 Academy's instructional/support facility staffed by 25 non-certified personnel and 8 certificated full time teaching personnel who provide services to 38 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

Enterprise Accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e.,

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

net total assets) is segregated into retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in a bank account in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with original maturities of three months or less, at the time they are purchased by the Academy, are considered to be cash equivalents.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the dates received. The Academy maintains a capitalization policy of two hundred dollars. The Academy does not possess any infrastructure.

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

Depreciation of furniture, equipment and leasehold improvements is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

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

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

The Academy also participates in the Federal Charter Academy Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 to offset start-up costs of the Academy. Additionally, as part of the Lucas County pilot project, the Lucas County Educational Service Center awarded the Academy \$150,000 to offset the start-up costs of the Academy. Revenue received from these programs are recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for the period July 12, 2001 through June 30, 2002 totaled \$959,967.

G. Prepaid Items

Prepayments represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Compensated Absences

Vacation benefits, personal and professional leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation, personal and professional time when earned for all employees.

J. Security Deposit

The Academy entered into a lease for the use of a building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling \$11,158, is held by the lessor.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

3. DEPOSITS AND INVESTMENTS

At June 30, 2002, the carrying amount of the Academy's deposits was \$155,207 and the bank balance was \$185,545. The bank balance was covered by federal depository insurance, by collateral held by the Academy, or by a qualified third party trustee and not in the name of the Academy.

4. RECEIVABLES

Receivables at June 30, 2002, consisted of accounts (e.g. miscellaneous receipts) and intergovernmental (e.g. grants) receivables. Intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds. The accounts receivable are considered collectible in full.

5. FIXED ASSETS

A summary of the Academy's fixed assets at June 30, 2002, follows:

Leasehold Improvements	\$10,131
Furniture and Equipment	13,718
Capital Lease	11,005
Less: Accumulated Depreciation	<u>(12,208)</u>
Net Fixed Assets	<u><u>\$22,646</u></u>

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the period ended July 12, 2001 through June 30, 2002, the Academy contracted with Cincinnati Insurance Agency for commercial umbrella liability, electronic data processing, employers' liability, property and general liability insurance with a \$1,000,000 single occurrence limit and \$1,000,000 aggregate limit and a \$500 deductible.

Professional liability is protected by insurance coverage through the Cincinnati Insurance Agency with a \$1,000,000 single occurrence limit and \$1,000,000 aggregate and no deductible.

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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion to fund pension obligations for the fiscal period. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal period ended June 30, 2002 was \$13,306; 59.91 percent has been contributed for the fiscal period 2002. The unpaid contribution at June 30, 2002, in the amount of \$22,829, is recorded as a liability.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Academy is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for the year 2001. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Academy's required contribution for pension obligations to STRS for the fiscal period ended June 30, 2002, was \$20,624; 100 percent has been contributed for fiscal period 2002.

8. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Governing Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the Academy, this amount equaled \$9,769 during the fiscal period.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal period 2002, the minimum pay has been established at \$12,400. For the Academy, the amount to fund health care benefits, including surcharge, equaled \$42,726 during the year.

9. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's School funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2002.

B. Ohio Community School Program

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. The effect of this suit, if any on the Academy is not presently determinable.

C. 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

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review resulted in state funding being adjusted. The Academy's foundation payments were increased by a one-time amount of \$894, as a result of such review.

11. FISCAL AGENT

The Academy entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Financial Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the monies received by the Academy from the State of Ohio. A total contract payment of \$5,884 was paid during the fiscal period.

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

1. Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
2. Maintain all accounts of the Academy;
3. Maintain all financial records of the Academy and follow procedures for receiving and expending funds which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
4. Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
5. Invest funds of the Academy in the same manner as the funds of the sponsor are invested, but the Treasurer shall not commingle the funds with any of the sponsor or any other community school; and
6. Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

12. PURCHASED SERVICE EXPENSES

For the period July 12, 2001 through June 30, 2002, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 118,890
Property Services	112,022
Travel Mileage/Meeting Expense	2,317
Communications	9,537
Utilities	16,549
Contracted Craft or Trade Services	479
Total Purchased Services	<u>\$ 259,794</u>

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

13. CAPITALIZED LEASE - LESSEE DISCLOSURE

During the period July 12, 2001 through June 30, 2002, the Academy entered into capitalized leases for the acquisition of a phone system and copier/document processor. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital leases have been recorded as a fixed asset at the present value of the future minimum lease payments as of the inception date. Payments made totaled \$ 3,759 for the phone system and \$ 587 for the copier for the year.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Period Ending June 30,	
2003	\$ 5,293
2004	2,662
2005	<u>196</u>
Total minimum lease payments	\$ 8,151
Less: Amount representing interest	<u>(700)</u>
Present value of minimum lease payments	<u><u>\$ 7,451</u></u>

14. OPERATING LEASES

The Academy entered into operating lease agreements for the Academy's facility and cellular phone service. These agreements are, in substance, rental agreements (operating leases), and are classified as operating lease rental payments in the financial in the financial statements. The Academy has the option to renew the facility lease for an additional three-year term, with the rent increase(s) indexed to the Consumer Price Index.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2002:

Fiscal Period Ending June 30,	Facility Lease	Cellular Phones
2003	<u>\$121,140</u>	<u>\$1,800</u>
2004	131,770	1,050
2005	<u>22,316</u>	
Total minimum lease payments	<u><u>\$275,226</u></u>	<u><u>\$2,850</u></u>

15. DEBT

Debt outstanding for the period ending June 30, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Note (AFCO Commercial Finance)	\$ 1,834	15.25%

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

The above note is a financing agreement issued on January 25, 2002 for \$4,000. The terms of the note include monthly principal and interest payments until the balance of the note payable is exhausted on November 1, 2002. Total interest paid in the period July 12, 2001 through June 30, 2002 was \$200. Interest payments outstanding for the note will be approximately \$59 during the 2003 fiscal year.

The note is statutorily limited to maturing at the end of the fiscal year the note was issued if the debt obligates or is secured by the State monies received by the School under Ohio Law. The note above issued during the fiscal year is general in nature and does not specifically exclude State foundation monies and extended beyond fiscal year end, contrary to State statutes.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Autism Academy of Learning
Lucas County
1546 Dartford Road
Maumee, Ohio 43537-1374

To the Governing Board:

We have audited the financial statements of the Autism Academy of Learning, Lucas County, (the Academy) for the period July 12, 2001 through June 30, 2002, and have issued our report thereon dated January 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that were required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10148-001, 2002-10148-002, 2002-10148-003 and 2002-10148-004. We also noted an immaterial instance of noncompliance that does not require inclusion in this report, that we have reported to management of the Academy in a separate letter dated January 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Academy in a separate letter date January 22, 2003.

This report is intended for the information and use of management, the Governing Board, and the Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 22, 2003

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD JULY 12, 2001 THROUGH JUNE 30, 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-10148-001

Finding For Recovery

Section 117.28, Revised Code, requires audit reports to set forth all instances of any public money which has been illegally expended.

An employment contract between the Autism Academy of Learning and Kathy Clift was entered into on September 17, 2001 for Ms. Clift's services as an Administrative Assistant in the amount of \$13,985.

An internal audit performed by the Treasurer of the Lucas County Educational Service Center, the Academy's fiscal agent, performed near year end noted an overpayment to Ms. Clift. The fiscal agent determined that Ms. Clift was overpaid \$578 and arrangements were made to withhold equal amounts over three pay periods beginning July 15, 2002.

A recalculation of information provided by the fiscal agent indicated an incorrect contract amount of \$15,692 was used to determine the overpayment, instead of the approved contract amount of \$13,985, resulting in an additional overpayment to Ms. Clift of \$1,707.

In accordance with the foregoing facts, a finding for recovery is hereby returned against Kathy Clift, Shawn Wedell, Director, and the Royal Indemnity Insurance Company, and Richard Cox, Fiscal Agent, and Nationwide Agribusiness Insurance Company, jointly and severally in the amount of \$1,707 in favor of the Autism Academy of Learning.

FINDING NUMBER 2002-10148-002

Finding For Recovery

Section 117.28, Revised Code, requires audit reports to set forth all instances of any public money which has been illegally expended.

An employment contract between the Autism Academy of Learning and Melody Basta was entered into on September 25, 2001 for Ms. Basta's services as a Certified Special Education Teacher in the amount of \$21,368.

An internal audit performed by the Treasurer of the Lucas County Educational Service Center, the Academy's fiscal agent, performed near year end noted an overpayment to Ms. Basta. The fiscal agent determined that Ms. Basta was overpaid \$583 and arrangements were made to give Ms. Basta her regularly scheduled paycheck of June 28, 2002, increasing the amount overpaid to \$1,903 to be repaid by withholding equal amounts over twelve pays beginning July 15, 2002.

A recalculation of information provided by the fiscal agent indicated an incorrect contract amount of \$21,862 was used to determine the overpayment, instead of the approved contract amount of \$21,368, resulting in an additional overpayment to Ms. Basta of \$494.

**FINDING NUMBER 2002-10148-002
(Continued)**

In accordance with the foregoing facts, a finding for recovery is hereby returned against Melody Basta, Shawn Wedell, Director, and the Royal Indemnity Insurance Company, and Richard Cox, Fiscal Agent, and Nationwide Agribusiness Insurance Company, jointly and severally in the amount of \$494 in favor of the Autism Academy of Learning.

FINDING NUMBER 2002-10148-003

Noncompliance

Community Schools may issue debt. However, if the debt obligates or is secured by the State monies received by the community school under Ohio Rev. Code § 3314.08 (D), then the debt must be issued in accordance with Ohio Rev. Code § 3314.08(J) which states, in part, that “the school may issue notes to evidence such borrowing to mature no later than the end of the fiscal year in which such money was borrowed.”

During the period July 12, 2001 through June 30, 2002, the Academy issued a \$5,000 note to be used for director and officer insurance policy premiums, with a maturity date of October 1, 2002. The note in question is general in nature. Because the note does not specifically exclude the School’s Ohio Rev. Code § 3314.08(D) funds from the general collateral provisions, this note obligates these monies. Therefore, Ohio Rev. Code § 3314.08(J) would apply.

We recommend that the Academy officials take steps to monitor debt and determine there is no outstanding debt subject to Ohio Rev. Code § 3314.08(J) at fiscal year end.

FINDING NUMBER 2002-10148-004

Noncompliance

Ohio Administrative Code §117-6-07 states that “the fiscal officer of a community school shall execute a bond prior to entering upon the duties as fiscal officer. The bond shall be (1) in an amount and with surety to be established by a resolution of the governing authority; (2) payable to the state of Ohio; and (3) conditioned for the faithful performance of all the official duties required of the fiscal officer.” The bond shall be deposited with the governing authority.

During the period July 12, 2001 through June 30, 2002, the Academy contracted with the Treasurer of the Lucas County Educational Service Center (LCESC) to be its Chief Fiscal Officer. The Treasurer has executed a bond to be the fiscal officer of the LCESC, although the Treasurer of the LCESC has not executed and delivered a separate school specific bond at the time of these financial statements.

We recommend the Fiscal Officer execute a school-specific bond and deposit it with the Governing Board of the Academy. Further, we recommend the Governing Board pass a resolution establishing a surety amount.



**Auditor of State
Betty Montgomery**

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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
MARCH 11, 2003**