



**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
219 Page Street
Toledo, Ohio 43620-1400

To the Board of Education:

We have audited the accompanying basic financial statements of Autism Academy of Learning, Lucas County, (the Academy), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Autism Academy of Learning, Lucas County, as of June 30, 2004, and the changes in financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

May 12, 2005

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The discussion and analysis of the Autism Academy of Learning's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets increased \$20,594, which represents a 30.6 percent increase from 2003. This increase was due to an increase in students and a related increase in state foundation monies and Disadvantaged Pupil Instructional Aid. There was also an increase in federal and state aid.
- Total assets increased \$98,909, which represents an 86.8 percent increase from 2003. This was primarily due to an increase in state foundation monies and Disadvantaged Pupil Instructional Aid. There was also an increase in federal and state aid.
- Liabilities increased \$78,315, which represents a 168.3 percent increase from 2003. Accrued wages and benefits decreased by 7,471, while intergovernmental payables related to accrued pension benefits increased by \$45,303. Accounts payable and undistributed monies increased by \$42,833.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2004?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2004 and fiscal year 2003:

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

(Table 1)
Net Assets

	2004	2003
Assets		
Current Assets	\$ 188,475	\$ 89,218
Security Deposit	11,158	11,158
Capital Assets, Net	13,200	13,548
<i>Total Assets</i>	<u>212,833</u>	<u>113,924</u>
Liabilities		
Current Liabilities	124,646	46,331
Non-Current Liabilities	190	
<i>Total Liabilities</i>	<u>124,836</u>	<u>46,331</u>
Net Assets		
Invested in Capital Assets Restricted	13,010	
Unrestricted	74,987	67,403
<i>Total Net Assets</i>	<u>\$ 87,997</u>	<u>\$ 67,403</u>

Total assets increased \$98,909. This increase was primarily due to an increase in student enrollment and federal and state subsidies. Equity in pooled cash and cash equivalents increased by \$14,920 from 2003. Intergovernmental Receivables increased by \$105,197. This increase was due to the timing of the receipt of some grants. Capital Assets, net of depreciation decreased by \$348.

Table 2 shows the changes in net assets for fiscal year 2004 and fiscal year 2003, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2004	2003
Operating Revenues:		
Special Education	\$ 788,436	\$ 666,425
Foundation Payments	262,611	195,324
Disadvantaged Pupil Impact Aid	727	713

(Continued)

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

(Table 2) (Continued)
Change in Net Assets

	2004	2003
Non-Operating Revenues:		
Federal and State Grants	321,746	265,926
Interest	130	1,066
Contributions and Donations	10,509	6,467
Other	14,424	
<i>Total Revenues</i>	<u>1,398,583</u>	<u>1,135,921</u>
Operating Expenses		
Salaries	620,071	631,748
Fringe Benefits	226,718	166,566
Purchased Services	457,357	384,783
Materials and Supplies	39,928	27,384
Depreciation	14,777	12,984
Other Expenses	18,826	19,680
Non-Operating Expenses:		
Interest and Fiscal Charges	312	441
<i>Total Expenses</i>	<u>1,377,989</u>	<u>1,243,586</u>
Income Before Contributions	20,594	(107,665)
Capital Contributions	-	
<i>Increase in Net Assets</i>	<u>\$ 20,594</u>	<u>\$ (107,665)</u>

There was an increase in revenues of \$262,662 and an increase in expenses of \$134,403 from 2003. Of the increase in revenues, the foundation payments increased by \$67,287 and the Disadvantaged Pupil Impact Aid increased by \$14. Significant increases in federal programs Title II-A and Idea-B, in addition to other smaller variations in federal and state grant monies, resulted in the \$55,820 increase in Federal and State Grant revenues. Community Schools receive no support from tax revenues.

The expense for salaries decreased by \$11,677 and the expense for fringe benefits increased by \$60,152 from 2003. This was primarily due to a significant increase in health benefit rates. Material and supplies expense increased by \$12,544 and depreciation expense increased by \$1,793 from 2003.

Capital Assets

At the end of fiscal year 2004, the Academy had \$13,200, invested in furniture, fixtures, and equipment, which represented a decrease of \$348 from 2003. Table 3 shows fiscal year 2004 and fiscal year 2003:

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

(Table 3)
Capital Assets at June 30, 2004
(Net of Depreciation)

	2004	2003
Capital Lease	\$ -	\$ 3,668
Leasehold Improvements	-	3,377
Furniture, Fixtures, and Equipment	13,200	6,503
Totals	<u>\$ 13,200</u>	<u>\$ 13,548</u>

For more information on capital assets see Note 5 to the basic financial statements.

Current Financial Issues

The Autism Academy of Learning was formed in 2001. During the 2003-2004 school year, there were approximately 47 students enrolled in the Academy. The Academy receives its finances mostly from state aide. Per pupil aide for fiscal year 2004 amounted to \$5,058 per student.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Christine Loehrke, Director of Autism Academy of Learning, 219 Page Street, Toledo, Ohio 43620 or e-mail at aal_chris@yahoo.com.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2004

Assets

Current Assets

Equity in Pooled Cash and Cash Equivalents	\$ 52,558
Intergovernmental Receivables	112,812
Prepaid Items	23,105
<i>Total Current Assets</i>	<u>188,475</u>

Non-Current Assets

Security Deposit	11,158
Capital Assets, Net of Accumulated Depreciation	13,200
<i>Total Non-Current Assets</i>	<u>24,358</u>

<i>Total Assets</i>	<u><u>\$ 212,833</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$ 48,601
Accrued Wages and Benefits	8,616
Intergovernmental Payable	67,429
<i>Total Current Liabilities</i>	<u>124,646</u>

Non-Current Liabilities

Due Within One Year	190
<i>Total Liabilities</i>	<u>124,836</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	13,010
Unrestricted	74,987
<i>Total Net Assets</i>	<u><u>\$ 87,997</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Operating Revenues

Special Education	\$ 788,436
Foundation Payments	262,611
Disadvantaged Pupil Impact Aid	<u>727</u>
<i>Total Operating Revenues</i>	<u>1,051,774</u>

Operating Expenses

Salaries	620,071
Fringe Benefits	226,718
Purchased Services	457,357
Materials and Supplies	39,928
Depreciation	14,777
Other	<u>18,826</u>
<i>Total Operating Expenses</i>	<u>1,377,677</u>
<i>Operating Loss</i>	<u>(325,903)</u>

Non-Operating Revenues and (Expenses)

Operating Grants - Federal	238,496
Operating Grants - State	83,250
Interest Earnings	130
Contribution and Donation	10,509
Interest and Fiscal Charges	(312)
Other Non-Operating Revenue	<u>14,424</u>
<i>Total Non-Operating Revenues and (Expenses)</i>	<u>346,497</u>
<i>Change in Net Assets</i>	20,594
<i>Net Assets Beginning of Year</i>	<u>67,403</u>
<i>Net Assets End of Year</i>	<u><u>\$ 87,997</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Increase (Decrease) in Cash and Cash Equivalents

<u>Cash Flows from Operating Activities</u>	
Cash Received from State of Ohio	\$ 1,043,402
Cash Payments to Suppliers for Goods and Services	(480,116)
Cash Payments to Employees for Services	(627,542)
Cash Payments for Employee Benefits	<u>(183,557)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(247,813)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Operating Grants - Federal	141,671
Cash Received from Operating Grants - State	83,250
Cash Received from Other Non-Operating Revenues	14,424
Cash Received from Contributions and Donations	<u>10,509</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>249,854</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Cash Payments for Capital Acquisitions	(14,429)
Cash Payments for Principal Payments	(2,350)
Cash Payments for Interest Payments	<u>(312)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(17,091)</u>
<u>Cash Flows from Investing Activities</u>	
Cash Received from Interest on Investments	<u>130</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(14,920)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>67,478</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 52,558</u></u>

(Continued)

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

Operating Loss	\$ (325,903)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	14,777
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(8,980)
Increase in Intergovernmental Receivable	(8,372)
Increase in Accounts Payable	42,833
Decrease in Accrued Wages and Benefits	(7,471)
Increase in Intergovernmental Payable	<u>45,303</u>
<i>Total Adjustments</i>	<u>78,090</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (247,813)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Autism Academy of Learning (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events, which have occurred that might adversely affect the Academy's tax exempt status. The Academy provides services to autistic students ages 5 through 21 year-round, and operates 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) commencing July 12, 2001. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy. (See Note 13.)

The Academy operates under the direction of a nine-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 25 non-certified and 7 certificated full time teaching personnel who provide services to 47 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate accounts in the Academy's name.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

C. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

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

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

E. 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 contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated annually.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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.

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 two hundred dollars. The Academy

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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. Leasehold improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold Improvements	3 years
Furniture, Fixtures and Equipment	5 years
Computers	3 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy presently has no restricted net assets.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the state. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Security Deposits

The Academy entered into a lease for the use of the 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. The lessor holds this amount totaling \$11,158.

L. 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. Revenue from these programs is recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Academy

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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 Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 to help defray operating costs. Revenue received from these programs is recognized as non-operating revenue in the accompanying financial statements.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the year ended 2004, the Academy has implemented GASB Statement No. 34 “Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments”; GASB No. 37 “Basic Financial Statements for State and Local Governments: Omnibus”, GASB No. 38 “Certain Financial Statement Disclosures”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2004, there was no effect on the financial statements as a result of implementing GASB 37 and 38, or on beginning net assets as previously reported as a result of implementing GASB 34.

GASB 34 creates new basic financial statements for reporting on the Academy’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting. The beginning net assets amount for the business-type activities equals fund equity of the enterprise funds from last year.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of Management’s Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Interpretation of No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

NOTE 4 - DEPOSITS

At fiscal year end, the carrying amount of the Academy’s deposits was \$52,558, and the bank balance was \$84,145. The bank balance was covered by Federal Depository Insurance Corporation.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	Amounts
Spectrum Disorders '04	\$ 27,843
Title II-A	835
Title IV	460
Title V	302
Federal Subgrant '04	75,000
Foundation receivable	8,372
<i>Total All Intergovernmental Receivables</i>	<u>\$ 112,812</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Enterprise Activity				
Leasehold Improvements	\$ 10,131	\$ -	\$ -	\$ 10,131
Furniture, Fixtures, and Equipment	17,604	14,429	-	32,033
Capital Leases	11,005	-	-	11,005
<i>Total Capital Assets</i>	<u>38,740</u>	<u>14,429</u>	<u>-</u>	<u>53,169</u>
<i>Being Depreciated</i>	<u>38,740</u>	<u>14,429</u>	<u>-</u>	<u>53,169</u>
Less Accumulated Depreciation:				
Leasehold Improvements	(6,754)	(3,377)	-	(10,131)
Furniture, Fixtures, and Equipment	(11,101)	(7,732)	-	(18,833)
Capital Leases	(7,337)	(3,668)	-	(11,005)
<i>Total Accumulated Depreciation</i>	<u>(25,192)</u>	<u>(14,777)</u>	<u>-</u>	<u>(39,969)</u>
<i>Total Capital Assets</i>	<u>13,548</u>	<u>(348)</u>	<u>-</u>	<u>13,200</u>
<i>Being Depreciated, Net</i>	<u>13,548</u>	<u>(348)</u>	<u>-</u>	<u>13,200</u>
Enterprise Activity				
Capital Assets, Net	<u>\$ 13,548</u>	<u>\$ (348)</u>	<u>\$ -</u>	<u>\$ 13,200</u>

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 2004, the Academy contracted with the Cincinnati Insurance Company.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Coverages are as follows:

Excess Umbrella Liability per Occurrence	\$1,000,000
Excess Umbrella Liability Aggregate	1,000,000
Commercial General Liability Personal & Advertising Injury	1,000,000
Commercial General Liability:	
Per occurrence	1,000,000
Aggregate	Unlimited

Settled claims have not exceeded this commercial coverage in any of the past two years. There has been no significant change in insurance coverage from last year.

The Academy owns no property, but leased a facility located at 1546 Dartford Street, Toledo, Ohio. (See Note 16.)

B. Workers' Compensation

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

C. EMPLOYEE BENEFITS

The Academy provides life, dental and medical/surgical benefits to most employees through Paramount. The Academy also provides vision benefits to most employees through Vision Service Plan.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

For fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$35,628, \$31,418, and \$13,306, respectively; 100 percent of required contributions for fiscal year 2004, 2003, and 2002.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003 and 2002 were \$30,629, \$30,711 and \$20,624, respectively; 79.4 percent has been contributed for fiscal year 2004 and 100 percent for fiscal year 2003 and 2002. \$7,121, representing the unpaid contribution for 2004, is recorded as a liability within the respective funds.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$2,355 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 year 2004, the minimum pay was established at \$25,400. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$60,176.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 10 – 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 decision 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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 11 - 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, 2004.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2004, the review was completed in January 2005, and the review resulted in an increase of \$8,372, which is reflected as an intergovernmental receivable on the financial statements.

C. Litigation

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. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that community schools are part of the state public educational system, and the matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Academy, is not presently determinable.

NOTE 12 - SUBSEQUENT EVENTS

The Academy entered into a loan agreement with Sky Bank on August 13, 2004, in the amount of \$103,000, with an interest rate of 7 percent. The loan is scheduled to reach maturity on August 13, 2005.

NOTE 13 - FISCAL AGENT

The Academy entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of all state and federal revenues paid to the Academy. A total contract payment of \$21,559 was paid during the year, and a liability in the amount of \$267 was accrued as a liability for the year ended June 30, 2004.

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

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

NOTE 14 - PURCHASED SERVICES

For the period July 1, 2003 through June 30, 2004, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 266,657
Property Services	153,124
Travel Mileage/Meeting Expense	4,697
Communications	12,085
Utilities	20,115
Contracted Craft or Trade Services	679
<i>Total Purchased Services</i>	<u>\$ 457,357</u>

NOTE 15 - CAPITALIZED LEASE – LESSEE DISCLOSURE

The Academy entered into capitalized leases in 2001 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 capital assets at the present value of the future minimum lease payments as of the inception dates. Payments for the year totaled \$1,880 for the phone system and \$782 for the copier.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2004.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Year Ending June 30,		
2005	\$	196
<hr/>		
Total Minimum Lease Payments		196
Less: Amount representing Interest		(6)
<hr/>		
Present Value of Minimum Lease Payments	\$	<u>190</u>

NOTE 16 - OPERATING LEASES

The Academy entered into an operating lease agreement for the Academy's facility. The agreement is, in substance, a rental agreement (operating lease), and is classified as a purchased service in the financial statements. The lease term is September 1, 2001 through August 31, 2004, with the option to renew the lease for an additional three-year term. The Academy has not exercised its option to renew the lease.

The Academy entered into a new lease agreement, with the Roman Catholic Diocese of Toledo in America, for the Academy's facility, for a term beginning March 1, 2004 through August 31, 2006. This agreement is, in substance, a rental agreement (operating lease) and is classified as purchased services in the financial statements. The Academy spent \$27,350 for construction of a bathroom on the second floor of the Parish Church. These improvements were in lieu of rent payments from the commencement date of March 1, 2004 to August 31, 2004. Lease payments in the amount of \$8,000 per month are to commence in September 2004 and terminate in August of 2006.

Facility lease payments for the year totaled \$131,770, including payments for building improvements in lieu of rent.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2004:

Year Ending June 30	Facility Lease
2005	\$ 91,158
2006	96,000
2007	16,000
<i>Total</i>	<u>\$ 203,158</u>

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of the Autism Academy of Learning, Lucas County, (the Academy) as of and for the year ended June 30, 2004, which comprises the Academy's basic financial statements and have issued our report thereon dated May 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated May 12, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Academy's management dated May 12, 2005, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of Directors, and the Sponsor. It is not intended for 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

May 12, 2005



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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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
JUNE 14, 2005**