



Mary Taylor, CPA
Auditor of State

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of the Autism Academy of Learning, Lucas County (the Academy) as of and for the year ended June 30, 2007, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Academy, as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008, 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 accounting principles generally accepted in the United States of America 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 28, 2008

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the Autism Academy of Learning's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. 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.

Financial Highlights

- Total Assets were \$504,542
- Total Liabilities were \$91,597.
- Total Net Assets were \$412,945

Using this Financial Report

This report consists of three parts, the Management's Discussion and Analysis (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.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the Statement of Net Assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Assets and the Statement of Activities report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted state aid and state and federal grants finance most of these activities.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2007 compared to fiscal year 2006:

(Table 1)
Net Assets

	2007	2006
Assets		
Current Assets	\$ 472,014	\$ 373,828
Capital Assets, Net	32,528	33,505
<i>Total Assets</i>	504,542	407,333
Liabilities		
Current Liabilities	73,248	49,942
Non-Current Liabilities	18,349	9,875
<i>Total Current Liabilities</i>	91,597	59,817
Net Assets		
Invested in Capital Assets	14,179	23,630
Restricted	17,430	3,792
Unrestricted	381,336	320,094
<i>Total Net Assets</i>	\$ 412,945	\$ 347,516

Total assets increased by \$97,209, which represents a 23.9% increase from fiscal year 2006. This increase was primarily due to an increase in cash and cash equivalents of \$88,249. Total receivables increased by \$14,142, due primarily to an Ohio Department of Education FTE adjustment expected to be received by the Academy in FY 2008. Total liabilities increased by \$31,780, which represents a 53.1% increase from 2006. This increase is primarily the result of an increase in Accrued Wages and Benefits, which resulted from increase in part-time, hourly employees. The Academy's net assets increased \$65,429, which represents a 18.8% increase from 2006.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2007 and fiscal year 2006, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2007	2006
Operating Revenues:		
Special Education	\$ 1,146,183	\$ 1,060,482
Foundation Payments	331,799	304,357
Disadvantaged Pupil Impact Aid		4,479
Other	1,428	2,399
Non-Operating Revenues:		
Federal and State Grants	56,637	86,087
Interest	496	379
Contributions and Donations	8,397	11,485
<i>Total Revenues</i>	<u>1,544,940</u>	<u>1,469,668</u>
Operating Expenses		
Salaries	573,111	477,546
Fringe Benefits	167,751	111,995
Purchased Services	659,656	713,411
Materials and Supplies	36,537	25,284
Depreciation	21,693	9,444
Other Expenses	18,048	14,716
Non-Operating Expenses:		
Interest and Fiscal Charges	2,715	153
<i>Total Expenses</i>	<u>1,479,511</u>	<u>1,352,549</u>
<i>Increase in Net Assets</i>	<u>\$ 65,429</u>	<u>\$ 117,119</u>

There was an increase in revenues of \$75,272. The increase in revenues was due primarily to a significant increase in Special Education funding. Community schools receive no support from tax revenues.

There was an increase in expenses of \$126,962 from fiscal year 2006. The increase was primarily due to increases of \$95,565 in salaries and \$55,756 in fringe benefits expenses from fiscal year 2006, due to an increase in Academy employees in 2007. Depreciation expense increased \$12,249, due to an increase in capital assets, primarily due to an additional copier lease added during FY 2007.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2007, the Academy had \$32,528 (net of \$79,023 in accumulated depreciation), invested in capital leases (copiers), leasehold improvements, and furniture, fixtures, and equipment. Table 3 shows fiscal year 2007 and fiscal year 2006:

(Table 3)
Capital Assets at June 30, 2007
(Net of Depreciation)

	2007	2006
Furniture, Fixtures, and Equipment	15,859	17,556
Leashold Improvements	1,863	7,834
Capital Leases	14,806	8,115
Totals	\$ 32,528	\$ 33,505

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

Debt

At the end of fiscal year 2007, the Academy has \$18,349 in debt, consisting of Capital Leases, of which \$4,154 is due within one year. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

(Table 4)
Long Term Debt at June 30, 2007

	2007	2006
Capital Leases	18,349	9,875
Totals	\$ 18,349	\$ 9,875

Current Financial Issues

The Autism Academy of Learning was formed in 2001. During the 2006-2007 school year, there were approximately 52 students enrolled in the Academy. The Academy receives most of its finances from state aide. Per pupil aide for fiscal year 2007 amounted to \$5,403 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. Karen Holmes, Board President of Autism Academy of Learning, 219 Page Street, Toledo, Ohio 43620, or email at Prentis65@cs.com.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

Assets

Current Assets

Cash and Cash Equivalents	\$ 436,377
Intergovernmental Receivables	20,007
Prepaid Items	15,630
<i>Total Current Assets</i>	<u>472,014</u>

Non-Current Assets

Capital Assets, Net of Accumulated Depreciation	<u>32,528</u>
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<i>Total Assets</i>	<u><u>\$ 504,542</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$ 31,815
Accrued Wages and Benefits	21,265
Intergovernmental Payable	20,168
<i>Total Current Liabilities</i>	<u>73,248</u>

Non-Current Liabilities

Due Within One Year	4,154
Due In More Than One Year	14,195
<i>Total Non-Current Liabilities</i>	<u>18,349</u>

<i>Total Liabilities</i>	<u>91,597</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	14,179
Restricted	17,430
Unrestricted	381,336

<i>Total Net Assets</i>	<u><u>\$ 412,945</u></u>
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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, 2007**

Operating Revenues

Special Education	\$ 1,146,183
Foundation Payments	331,799
Other Revenues	<u>1,428</u>
<i>Total Operating Revenues</i>	<u>1,479,410</u>

Operating Expenses

Salaries	573,111
Fringe Benefits	167,751
Purchased Services	659,656
Materials and Supplies	36,537
Depreciation	21,693
Other	<u>18,048</u>
<i>Total Operating Expenses</i>	<u>1,476,796</u>

Operating Income 2,614

Non-Operating Revenues and (Expenses)

Operating Grants - Federal	55,611
Operating Grants - State	1,026
Contribution and Donation	8,397
Interest	496
Interest and Fiscal Charges	<u>(2,715)</u>
<i>Total Non-Operating Revenues and (Expenses)</i>	<u>62,815</u>

Change in Net Assets 65,429

Net Assets Beginning of Year 347,516

Net Assets End of Year \$ 412,945

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, 2007**

Increase (Decrease) in Cash and Cash Equivalents

<u>Cash Flows from Operating Activities</u>	
Cash Received from State of Ohio	\$ 1,463,085
Cash Received from Other Operating Revenues	1,821
Cash Payments to Suppliers for Goods and Services	(712,761)
Cash Payments to Employees for Services	(562,518)
Cash Payments for Employee Benefits	(152,313)
	37,314
 <u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Operating Grants - Federal	55,973
Cash Received from Operating Grants - State	1,026
Cash Received from Contributions and Donations	8,397
	65,396
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Cash Payments for Capital Acquisitions	(9,816)
Principal Payments	(2,426)
Interest Payments	(2,715)
	(14,957)
 <u>Cash Flows from Investing Activities</u>	
Cash Received from Interest on Investments	496
	88,249
<i>Net Increase in Cash and Cash Equivalents</i>	88,249
<i>Cash and Cash Equivalents at Beginning of Year</i>	348,128
<i>Cash and Cash Equivalents at End of Year</i>	\$ 436,377

(Continued)

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

**Reconciliation of Operating Income to Net
Cash Provided by Operating Activities**

Operating Income	\$ 2,614
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	21,693
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	393
(Increase) in Intergovernmental Receivables	(14,897)
Decrease in Prepaid Items	4,205
Increase in Accounts Payable	9,221
Increase in Accrued Wages and Benefits	10,593
Increase in Intergovernmental Payable	<u>3,492</u>
<i>Total Adjustments</i>	<u>34,700</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 37,314</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, 2007**

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 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 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 Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy. (See Note 10.)

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 22 non-certified and 10 certificated, full-time teaching personnel who provide services to 52 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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the 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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

C. 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.

D. Budgetary Process

The Academy is required to submit a five-year budget forecast with the Ohio Department of Education, c/o Superintendent of Public Instruction.

E. 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. 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 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.

During the year ended June 30, 2007, the Academy had only deposits.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues from these programs are 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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

H. 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 fifty 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	3 years
Furniture, Fixtures and Equipment	5 years
Computers	3 years

I. 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.

Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Academy, these revenues are primarily special education 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.

K. 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.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 3 – DEPOSITS

At fiscal year end June 30, 2006, the carrying amount of the Academy's deposits was \$436,377, and the bank balance was \$465,895. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$365,895 of the bank balance was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. 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 the 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.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007, 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:

	<u>Amounts</u>
Intergovernmental Receivables	
ODE FTE Adjustment	\$ 14,897
IDEA-B 2007	503
Title V 2007	10
Title IV 2007	474
ECSE 2007	2,384
Title IIA 2007	1,333
Title IID 2007	406
Total Intergovernmental Receivables	<u>\$ 20,007</u>

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007:

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Enterprise Activity				
Furniture, Fixtures, and Equipment	\$ 52,649	\$ 9,816		\$ 62,465
Leasehold Improvements	28,042			28,042
Capital Leases	10,144	10,900		21,044
<i>Total Capital Assets</i>				
<i>Being Depreciated</i>	<u>90,835</u>	<u>20,716</u>		<u>111,551</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(35,093)	(11,513)		(46,606)
Leasehold Improvements	(20,208)	(5,971)		(26,179)
Capital Leases	(2,029)	(4,209)		(6,238)
<i>Total Accumulated Depreciation</i>	<u>(57,330)</u>	<u>(21,693)</u>		<u>(79,023)</u>
<i>Total Capital Assets</i>				
<i>Being Depreciated, Net</i>	<u>\$ 33,505</u>	<u>\$ (977)</u>		<u>\$ 32,528</u>

NOTE 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. During fiscal year 2007, the Academy contracted with the Philadelphia Insurance Company for general liability and property insurance and educational errors and omissions insurance.

Coverage is as follows:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability per Aggregate	2,000,000
Property Coverage	110,000
Commercial General Liability Personal & Advertising Injury	1,000,000
Business Income	100,000
Data Processing	57,000
Excess Umbrella Liability per Occurrence	1,000,000
Excess Umbrella Liability per Aggregate	1,000,000
Directors & Officers Liability per Occurrence	1,000,000
Directors & Officers Liability per Aggregate	1,000,000
Business Automobile	1,000,000

The Academy owns no property, but leases a facility located at 219 Page Street, Toledo, OH 43620. (See Note 12.)

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 - RISK MANAGEMENT – (Continued)

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 its employees who work 25 or more hours per week through Paramount. The Academy also provides vision benefits to most employees through Vision Service Plan.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employee 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 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy 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 2007, 10.68 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, 2007, 2006 and 2005 were \$23,762, \$21,396 and \$30,754 respectively; 91.22 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

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 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 7 - 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. 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.

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2007, 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. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. 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, 2007, 2006, and 2005 were \$46,678, \$32,668, and \$33,105 respectively; 79.3 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$50,649 made by the Academy and \$47,031 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled \$3,576 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$11,104.

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 projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 9 - 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 are 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, 2007.

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. ODE has conducted a review of the Academy's 2007 student enrollment data and FTE calculations. For fiscal year 2007, the results of this review resulted in an underpayment of Foundation Revenue of \$14,897, which was received by the Academy in November 2007.

C. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al.*, Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

NOTE 10 - FISCAL AGENT

The Academy entered into a service agreement, as part of its sponsorship contract, 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 the per pupil allotments paid to the Academy from the State of Ohio. A total contract payment of \$29,538 was paid during the year, and a liability in the amount of \$3,634 was accrued for the year ended June 30, 2007.

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;
- 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;

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - FISCAL AGENT – (Continued)

- 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 11 - PURCHASED SERVICES

For the period July 1, 2006, through June 30, 2007, purchased service expenses were payments for services rendered, as follows:

Professional and Technical Services	\$	538,905
Property Services		108,994
Travel Mileage/Meeting Expense		1,360
Communications		7,871
Utilities		2,345
Contracted Craft or Trade Services		181
<i>Total Purchased Services</i>	<u>\$</u>	<u>659,656</u>

NOTE 12 – OPERATING LEASE

The Academy entered into an operating lease agreement with the Roman Catholic Diocese of Toledo in America, for the operation of the Academy's facility, for a term beginning March 1, 2004 through August 31, 2006. The lease agreement was renewed, began September 1, 2006, and will run through June 30, 2011. This agreement is, in substance, a rental agreement (operating lease) and is classified as purchased services in the financial statements. Facility lease payments for the year totaled \$115,200 with \$9,000 being prepaid rent for July 2007.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2007:

Year Ending June 30	Facility Lease
2008	99,000
2009	108,000
2010	108,000
2011	108,000
<i>Total</i>	<u>\$ 423,000</u>

**AUTISM ACADEMY OF LEARNING
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 13 – CAPITALIZED LEASES – LESSEE DISCLOSURE

The Academy entered into capital lease agreements in March 2006 and January 2007 for copiers. The leases both 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 are recorded at the present value of the future minimum lease payments as of the inception date. Principal payments made during fiscal year 2007 totaled \$2,426.

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, 2007:

<u>Year Ending June 30,</u>	<u>2006 Lease</u>	<u>2007 Lease</u>
2008	2,532	2,772
2009	2,532	2,772
2010	2,532	2,772
2011	844	2,772
2012		1,848
Minimum Lease Payments	<u>\$8,440</u>	<u>\$12,936</u>
Less: Amount representing interest at the Academy's incremental borrowing rate of interest	(419)	(2,608)
<i>Present Value of Minimum Lease Payments</i>	<u><u>\$8,021</u></u>	<u><u>\$10,328</u></u>

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Mary Taylor, CPA

Auditor of State

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 St.
Toledo, Ohio 43620-1400

To the Board of Directors:

We have audited the basic financial statements of Autism Academy of Learning, Lucas County, (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated March 28, 2008. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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*.

We did note a certain noncompliance matter that we reported to the Academy's management in a separate letter dated March 28, 2008.

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

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

Mary Taylor, CPA
Auditor of State

March 28, 2008



Mary Taylor, CPA
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
APRIL 17, 2008**