



**Auditor of State
Betty Montgomery**

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, Ohio 43624-1459

To the Governing Board:

We have audited the accompanying basic financial statements of Toledo School for the Arts, Lucas County (the School), as of and for the year ended June 30, 2004 as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic 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 our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Toledo School for the Arts, Lucas County, as of June 30, 2004, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the School implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2005 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance and the result 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 16, 2005

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

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

Financial Highlights

Key Financial Highlights of the School for the year ended June 30, 2004 are as follows:

- Total net assets decreased \$67,656 in 2004. The majority of the decrease was due to loss on the write-off of the leasehold improvements and the security deposit being applied to the last month's rent.
- Due to increased enrollment, total revenue increased from \$1,727,507 in FY 03 to \$2,256,669 in FY 04.
- Similarly, total program expenses increased from \$1,784,068 in FY 03 to \$2,324,325 in FY 04.
- Liabilities increased \$9,873 with current assets increasing \$35,713 in 2004.

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 resource 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 cash is received or paid.

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

**TOLEDO SCHOOL FOR THE ARTS
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	\$ 77,680	\$ 41,967
Security Deposits		13,903
Capital Assets, Net	109,526	189,119
<i>Total Assets</i>	<u>187,206</u>	<u>244,989</u>
Liabilities		
Current Liabilities	364,769	463,383
Non-Current Liabilities	115,563	7,076
<i>Total Liabilities</i>	<u>480,332</u>	<u>470,459</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	102,450	175,247
Restricted	14,647	
Unrestricted	(410,223)	(400,717)
<i>Total Net Assets</i>	<u>\$ (293,126)</u>	<u>\$ (225,470)</u>

Total assets decreased by \$57,783. This decrease was due to a write-off of leasehold improvement capital assets because the lease ended, and depreciation of the capital assets. The building lease was terminated early so the School could move into and purchase another building.

The School's deficit increased by \$67,656. This increase was due to the loss on the write-off of the leasehold improvements and an increase in the accrued wage and intergovernmental liabilities. The restricted assets in 2004 consisted of net assets being restricted for grants and scholarships.

Liabilities increased due to increases in accrued wages and intergovernmental payables associated with wages.

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.

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

(Table 2)

	Change in Net Assets	
	2004	2003
Operating Revenues:		
Foundation Payments	\$ 1,767,346	\$ 1,397,054
Disadvantaged Pupil Impact Aid	15,048	19,180
Career Tech Adult Education	81,158	91,878
Special Education	29,572	
Classroom Fees	27,221	36,527
Food Service	2,254	3,542
Extracurricular Activities	60,745	46,306
Non-Operating Revenues:		
Grants - Federal	172,188	77,816
Grants – State	15,094	7,990
Grants – Other	12,500	10,500
Interest	166	645
Contribution and Donations	64,823	36,069
In-Kind Contributions	6,904	
Other Revenue	1,650	
<i>Total Revenues</i>	2,256,669	1,727,507
Operating Expenses		
Salaries	1,267,973	1,004,288
Fringe Benefits	323,008	243,670
Purchased Services	350,081	246,605
Materials and Supplies	129,558	83,019
Depreciation	127,141	120,240
Other Expenses	72,286	70,790
Non-Operating Expenses:		
In-Kind Expenses	6,904	
Interest and Fiscal Charges	14,806	15,456
Loss on Disposal of Capital Assets	32,568	
<i>Total Expenses</i>	2,324,325	1,784,068
<i>Decrease in Net Assets</i>	\$ (67,656)	\$ (56,561)

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation. Foundation payments made up 84 percent of revenues for the School in fiscal

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

year 2004. The increase in revenue and expenditures was mainly due to a 16 percent increase in enrollment and 4 additional School employees in fiscal year 2004. The decrease in net assets was due to the write-off loss of the leasehold improvements in the School's old building rental. The School moved out and purchased a new building, so the remaining value of the leasehold improvements associated with the old building had to be written off. The School is looking into options on reducing expenses and increasing overall revenue.

Accumulated Deficit and Operating Loss

The Net Assets deficit of \$293,126 was an increase of \$67,656 from 2003. \$32,568 of this increase was due to the loss on the write-off of the leasehold improvements and the remainder is due to increases in accrued wages and compensated absences. The School is continuing to analyze operations and admissions procedures to alleviate the remaining deficit.

Capital Assets and Debt Administration

Capital Assets

At the end of 2004 the School had \$109,526 (net of \$189,721 in accumulated depreciation) invested in construction-in-progress and furniture and equipment. Table 3 shows fiscal year 2004 and fiscal year 2003:

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

	<u>2004</u>	<u>2003</u>
Furniture, Fixtures, and Equipment	\$ 63,932	\$ 81,832
Leasehold Improvements		107,287
Construction -In- Progress	45,594	
Totals	<u>\$ 109,526</u>	<u>\$ 189,119</u>

The decrease is due to the write-off of the leasehold improvements and depreciation expense of \$127,141. For more information on capital assets see Note 7 to the basic financial statements.

Debt

At June 30, 2004 the School had \$235,388 in Capital Leases and Notes Payable, \$234,795 of which is due within one year. For more information on debt see Note 16 to the basic financial statements.

For the Future

In conclusion, the School has committed itself to financial excellence. In addition, the School's financial relationship with the Lucas County Educational Service Center aids in the raising of the quality of financial records and strengthens internal controls. All of the School's financial abilities will be needed to meet the challenges of the future.

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

Contacting the School's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Kelley Allred of the Toledo School for the Arts, 333 14th St., Toledo, Ohio 43624 or e-mail at tsfa_kAllred@TS4Arts.org

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**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

Assets

Current Assets

Equity in Pooled Cash and Cash Equivalents	\$	21,510
Intergovernmental Receivable		44,428
Grant Receivable		10,000
Prepaid Items		1,742
<i>Total Current Assets</i>		77,680

Non-Current Assets

Capital Assets

Depreciable Capital Assets, Net		109,526
<i>Total Non-Current Assets</i>		109,526

<i>Total Assets</i>		187,206
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Liabilities

Current Liabilities

Accounts Payable		12,520
Accrued Wages and Benefits		175,344
Intergovernmental Payable		56,247
Due to Students		833
Notes Payable		119,825
<i>Total Current Liabilities</i>		364,769

Non-Current Liabilities

Due Within One Year		114,970
Due In More Than One Year		593
<i>Total Non-Current Liabilities</i>		115,563

<i>Total Liabilities</i>		480,332
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Net Assets

Invested in Capital Assets, Net of Related Debt		102,450
Restricted for Grants		14,147
Restricted for Scholarship		500
Unrestricted		(410,223)
		(410,223)

<i>Total Net Assets</i>		\$ (293,126)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

Operating Revenues	
Foundation Payments	\$1,767,346
Disadvantaged Pupil Impact Aid	15,048
Career Tech Adult Education	81,158
Special Education	29,572
Classroom Fees	27,221
Food Service	2,254
Extracurricular Activities	<u>60,745</u>
<i>Total Operating Revenues</i>	<u>1,983,344</u>
Operating Expenses	
Salaries	1,267,973
Fringe Benefits	323,008
Purchased Services	350,081
Materials and Supplies	129,558
Depreciation	127,141
Other	<u>72,286</u>
<i>Total Operating Expenses</i>	<u>2,270,047</u>
<i>Operating Loss</i>	<u>(286,703)</u>
Non-Operating Revenues and (Expenses)	
Grants - Federal	172,188
Grants - State	15,094
Grants - Other	12,500
Interest	166
Contribution and Donations	64,823
In-Kind Contributions	6,904
In-Kind Expenses	(6,904)
Interest and Fiscal Charges	(14,806)
Loss on Disposal of Capital Assets	(32,568)
Other Revenue	<u>1,650</u>
<i>Total Non-Operating Revenues and (Expenses)</i>	<u>219,047</u>
<i>Change in Net Assets</i>	(67,656)
<i>Net Assets Beginning of Year</i>	<u>(225,470)</u>
<i>Net Assets End of Year</i>	<u><u>\$ (293,126)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLEDO SCHOOL FOR THE ARTS
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	\$ 1,878,076
Cash Received Extracurricular Activities	63,321
Cash Received from Classroom Fees	27,221
Cash Received from Food Service	2,254
Cash Payments to Suppliers for Goods and Services	(495,310)
Cash Payments to Employees for Services	(1,240,098)
Cash Payments for Employee Benefits	(283,131)
Cash Payments for Other Operating Uses	<u>(71,173)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(118,840)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Grants Received - Federal	146,016
Grants Received - State	15,094
Grants - Other	2,500
Loan Proceeds	90,000
Contribution and Donations	64,823
Principal Payments	(100,000)
Interest Payments	(14,986)
Other Revenue	<u>1,650</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>205,097</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Principal Payments	(6,796)
Interest Payments	(367)
Payments for Capital Acquisitions	<u>(80,116)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(87,279)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest	<u>166</u>
<i>Net Cash Provided by Investing Activities</i>	<u>166</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(856)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>22,366</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 21,510</u></u>

(Continued)

TOLEDO SCHOOL FOR THE ARTS
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 \$ (286,703)

**Adjustments to Reconcile Operating Income to
Net Cash Provided by Operating Activities**

Depreciation	127,141
Changes in Assets and Liabilities:	
(Increase) in Intergovernmental Receivable	(3,224)
Decrease in Prepaid Items	2,827
Decrease in Security Deposit	13,903
Decrease in Due to Students	(2,062)
Decrease in Accounts Payable	(30,829)
Increase in Accrued Wages and Benefits	33,757
Increase in Intergovernmental Payable	26,350

Total Adjustments 167,863

Net Cash Used for Operating Activities \$ (118,840)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

1. DESCRIPTION OF REPORTING ENTITY

Toledo School for the Arts (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. The School encompasses a safe community environment, discovery-based methods, parenting education, critical thinking, and problem solving. The School's programs are currently available to students in grades 6-12. The School, which is part of the State's education program, is independent of any School district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Toledo City School District (the Sponsor) for a period of five years commencing June 22, 1998, with operations starting in July of 1999. The School entered into a continuing contract with the Sponsor for a period of five years commencing July 1, 2003. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School entered into a separate agreement for the Treasurer of Lucas County Educational Service Center who shall serve as the Chief Fiscal Officer of the School (See Note 14).

The School operates under the direction of a twenty member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the School's one instructional/support facility staffed by 10 non-certified and 37 certificated full time teaching personnel who provide services to 318 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

Enterprise Accounting

The School's basic financial statements consist of statement of net assets; a statement of revenues, 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.

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the School finances and meets its cash flow needs.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

C. Budgetary Process

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

D. Cash and Investments

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

For presentation on the financial statements, investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents.

E. Capital Assets and Depreciation

All 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 date received. The School maintains a capitalization threshold of \$500. The School 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.

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	5
Furniture and Equipment	5

F. Intergovernmental Revenue

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

G. 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.

H. Estimates

The preparation of the 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.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated vacation time when earned for all employees. There was no accrued vacation for the year ended June 30, 2004.

J. 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

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

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 the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School has restricted net assets for grants whose use is restricted and for money given for a scholarship program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

3. CHANGES IN ACCOUNTING PRINCIPLES

For 2004, the School has implemented GASB Statement No. 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments."

GASB 34 creates new basic financial statements for reporting on the School'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.

4. DEPOSITS AND INVESTMENTS

At June 30, 2004, the carrying amount of the School's deposits was \$21,510 and the bank balance was \$67,222. The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

5. RECEIVABLES

Receivables at June 30, 2004, consisted of accounts and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

	<u>Amounts</u>
Disadvantage Pupil Impact Act	\$ 15,048
Title I	27,626
Title II-A	612
Title II-D	<u>1,142</u>
Total Intergovernmental Receivables	44,428
Terhume Memorial Fund	<u>10,000</u>
Total Receivables	<u>\$ 54,428</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

	Balance 06/30/03	Additions	Deletions	Balance 06/30/04
Business-Type Activity				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ -	\$ 45,594	\$ -	\$ 45,594
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	220,826	32,827	-	253,653
Leasehold Improvements	380,370	1,695	382,065	
<i>Total Capital Assets Being Depreciated</i>	601,196	34,522	382,065	253,653
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(138,993)	(50,728)		(189,721)
Leasehold Improvements	(273,084)	(76,413)	(349,497)	
<i>Total Accumulated Depreciation:</i>	(412,077)	(127,141)	(349,497)	(189,721)
<i>Total Capital Assets Being Depreciated, Net</i>	189,119	(92,619)	32,568	63,932
<i>Business-Type Activity Capital Assets, Net</i>	<u>\$ 189,119</u>	<u>\$ (47,025)</u>	<u>\$ 32,568</u>	<u>\$ 109,526</u>

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended 2004, the School had contracted Philadelphia Insurance Company for the following insurance coverage:

General Liability per Occurrence	\$2,000,000
General Liability Aggregate	2,000,000
Personal/Advertising Injury Limit	1,000,000
Commercial Excess Liability per Occurrence	1,000,000
Commercial Excess Liability Aggregate	1,000,000
EDP Hardware (\$500 Deductible)	45,000
EDP Software (\$500 Deductible)	4,500
Miscellaneous Scheduled Property (\$500 Deductible)	2,200
Commercial Automobile Coverage	1,000,000
Employee Dishonesty – Blanket (\$500 Deductible)	10,000
Forgery & Alteration (\$500 Deductible)	10,000
Business Personal Property	900,000
Ohio Stop Gap Liability	1,000,000
Employee Benefits Liability (\$1,000 Deductible)	1,000,000
Director's & Officer's Liability (\$2,500 Deductible)	1,000,000

Settled claims have not exceeded this commercial coverage in the past three years.

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

B. Workers' Compensation

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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.

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts, by the SERS Retirement Board. The School's required contribution for pension obligations to SERS for year June 30, 2004, 2003, and 2002 were \$12,218, \$6,110 and \$2,712, respectively; 89 percent has been paid for 2004 and 100 percent has been paid for 2003 and 2002. The unpaid contribution for 2004 in the amount of \$1,294 is recorded as a liability.

B. State Teachers Retirement Systems (STRS)

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP 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 funds multiplied by an actuarially determined annuity factor. The DCP 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 CP offers features of both the DCP and the DBP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DC or CP. 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 DBP into the DCP or the CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP 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 School was required to contribute 14 percent 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School's contributions for pension obligations to STRS for the years ended June 30, 2004, 2003, and 2002 were \$164,484, \$112,632, and \$58,718, respectively; 79 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. \$34,246 representing the unpaid contribution for 2004 is recorded as a liability within the respective funds.

9. POSTEMPLOYMENT BENEFITS

The School 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-certificated employees and their dependents through the School Employees Retirement System (SERS).

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount was \$12,653.

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

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

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

For the fiscal year ended June 30, 2004, employer contributions to fund health care 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 has been established at \$25,400. For the School, the amount to fund health care benefits, including the surcharge, was \$20,541 for fiscal year 2004.

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 annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation are derived from policies and procedures approved by the Governing Board.

B. Employee Medical, Dental, and Vision Benefits

The School has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full time employees who work 20 or more hours per week. The School pays the full amount of the monthly premiums for all selected coverage (medical, dental and/or vision). Employees electing the family coverage pay the difference in the premiums.

11. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

12. CONTINGENCIES

A. Grants

The School receives significant financial assistance from numerous 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 General Fund or other applicable funds. However, in the opinion of

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School at June 30, 2004.

B. Ohio Community School Program

A lawsuit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's community (i.e. Charter) School's 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 on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the stated public educational system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any on the School is not presently determinable.

C. School Funding

The Ohio Department of Education reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Based on the 2004 review the School is owed an additional \$9,891, which will be received in fiscal year 2005.

13. FISCAL AGENT

The School entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to the School from the State of Ohio. A total contract payment of \$35,723 was paid during the year, and a liability in the amount of \$3,920 was accrued 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 School:

- Maintain custody of all funds received by the School in segregated accounts separate from Lucas County ESC or any other Community School's funds;
- Maintain all books and accounts of the School;
- Maintain all financial records of all state funds of the School and follow State Auditor procedures for receiving and expending state funds;
- Assist the School in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the School in the same manner as the funds of Lucas County ESC are invested, but the Treasurer shall not commingle the funds with any of Lucas County ESC or any other community school; and

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

- Pay obligations incurred by the School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the School so long as the proposed expenditure is within the approved budget and funds are available.

14. PURCHASED SERVICES

For the year ended June 30, 2004, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 49,383
Property Services	252,819
Travel Mileage/Meeting Expense	1,863
Communications	33,262
Contracted Craft or Trade Services	11,224
Transportation Services	595
Other Purchased Services	935
Total Purchased Services	<u><u>\$ 350,081</u></u>

15. NOTES PAYABLE AND LONG-TERM DEBT

Debt outstanding for the School as of June 30, 2004 was as follows:

Short-Term Debt	Balance 07/01/03	Additions	Reductions	Balance 06/30/04	
Note Payable #2	\$ 29,825			\$ 29,825	
Note Payable #3		\$ 90,000		90,000	
Board Loan	10,000		\$ 10,000		
Totals	<u><u>\$ 39,825</u></u>	<u><u>\$ 90,000</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 119,825</u></u>	

Long-Term Debt	Balance 07/01/03	Additions	Reductions	Balance 06/30/04	Amounts Due in One Year
Note Payable #1	\$ 198,487		\$ 90,000	\$ 108,487	\$ 108,487
Capital Lease Obligations	13,872		6,796	7,076	6,483
Totals	<u><u>\$ 212,359</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 96,796</u></u>	<u><u>\$ 115,563</u></u>	<u><u>\$ 114,970</u></u>

The Note Payable #1 from Sky Bank is a promissory note issued for a line of credit issued on August 13, 1999. The terms of the note had a maturity date of April 30, 2002. The note was extended and is now payable on October 30, 2004. The interest rate on this note is 5 percent. Total interest expense for the year ended June 30, 2004 was \$7,315.

The Note Payable #2 from Sky Bank is a promissory note issued on February 26, 2003, in the amount of \$30,000. The terms of the note had a maturity date of August 26, 2003. The note was extended for another year and is now payable on August 26, 2004. The interest on this promissory note is 5 percent. Total interest expense for the year ended June 30, 2004 was \$2,471.

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

The Note Payable #3 from Sky Bank is a promissory note issued on August 13, 2003, in the amount of \$90,000. The terms of the note has maturity date of July 15, 2004. The interest on this promissory note is 5.00 percent. Total interest expense for the year ended June 30, 2004 was \$3,803.

The board loan consisted of a \$10,000 loan, issued by a board member of the School on December 9, 2001, to cover rent expenses for the 2002 school year. The amount was paid on July 15, 2003. The interest paid on this promissory note was \$994.

The Capital Lease is disclosed below.

16. CAPITAL LEASE – LESSEE DISCLOSURE

The School entered into a capitalized lease for the acquisition of copier equipment. The lease meets 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 lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date.

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. Payments for principal and interest totaled \$7,163 for the year ending June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 6,483	\$ 129
2006	593	5
Total	<u>\$ 7,076</u>	<u>\$ 134</u>

17. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT

The School has a negative unrestricted net asset balance of \$410,223 as of June 30, 2004, and had an operating loss of \$286,703. The School is analyzing operations and admissions procedures to determine appropriate steps to alleviate the deficit and operating loss. Management plans to eliminate the deficit and operating losses with the following actions:

The Board of Directors at the School actively focuses on a plan to reverse the accumulated deficit. The central goal of the Finance Committee is to operate the organization in a cost-sensitive manner so as to end each year with a fund surplus that can be used to repay liabilities of the School. By strengthening the effectiveness of the Business Office in providing current financial data, the Finance Committee now works pro-actively rather than re-actively on the fiscal condition of the School. Daily cash flow management projections are maintained throughout the entire school year. Monthly projections of revenues and spending are available at least six months in advance. All accounting records of the School are compiled and reconciled monthly under the direction of the Chairman of the Finance Committee. Compiled financial statements are discussed and approved monthly by the Board of Directors. Another key component is the growth in responsibility assumed by the Development Office at the School. Experience gained over the past four years by the Development Office has increased the ability to bring additional non-operating funds to the School.

**TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY**

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

The Development Office has shown that it can creatively campaign throughout the community to bring contributions to the School despite the difficult economic climate.

Through continued cash management, budgeting, monitoring of expenditures, and repayment of debt, the School is actively working to eliminate the deficit.

18. RELATED PARTY TRANSACTIONS

A board member made a loan of \$10,000 to the School in 2002. In July 2003, a payment of \$10,994 representing principal and interest was made to pay off the loan.

Reimbursements totaling \$3,961 were made to various board members, board members' spouses, and the Director for purchases they made on behalf of the School.

One of the Board members was paid \$320 for grant writing services.

Two of the board member's spouses are employed by the School. During the year ended June 30, 2004, the School paid these two employees \$27,987 and \$28,217 in wages and benefits.

19. SUBSEQUENT EVENT

In July 2004, the School purchased and moved into a new building for the operation of the School facility. \$2,197,500 was obtained through loans and mortgages to purchase the property located at 333 14th Street, Toledo, Ohio 43624 and to pay-off the loans that existed at June 30, 2004.



**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***

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, Ohio 43624-1459

To the Board of Education:

We have audited the financial statements of the Toledo School for the Arts, Lucas County (the School), as of and for the year ended June 30, 2004, and have issued our report thereon dated June 16, 2005, wherein we noted the School adopted Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with the 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 School's internal control over financial reporting to determine our auditing procedures in order to express our opinion 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 to be material weaknesses. In a separate letter to the School's management dated June 16, 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 School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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

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

Toledo School for the Arts
Lucas County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the School's management dated June 16, 2005, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, 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

June 16, 2005

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2004-001

Finding For Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During fiscal year 2004, the School reimbursed David Gierke, teacher, \$587.71 for alcohol purchases for a fundraiser.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co., 120 Ohio St. 47 (1929)*; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985)*.

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.28, a finding for recovery for public money illegally expended is hereby issued against David Gierke, Teacher, Richard Cox, Fiscal Agent, and the Travelers Casualty and Surety Company, Mr. Cox's surety, jointly and severally in the amount of \$587.71 and in favor of the Toledo School for the Arts.

The Toledo School for the Arts Parent Organization reimbursed the School for \$587.71 on March 21, 2005.

FINDING NUMBER 2004-002

Finding For Recovery Repaid Under Audit

During fiscal year 2004, the School reimbursed Martin Porter, Director, for receipts he submitted. However, the reimbursed amount included the payment of a previously reimbursed invoice in the amount of \$357.87.

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.28, a finding for recovery for public money illegally expended is hereby issued against Martin Porter, Director, Richard Cox, Fiscal Agent and the Travelers Casualty and Surety Company, Mr. Cox's surety, jointly and severally in the amount of \$357.87 and in favor of the Toledo School for the Arts.

Martin Porter, Director, reimbursed the School for \$357.87 on March 21, 2005.

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Bills were not being paid in a timely manner	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**TOLEDO SCHOOL FOR THE ARTS
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
JULY 14, 2005**