TOLEDO SCHOOL FOR THE ARTS

LUCAS COUNTY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

Governing Board
Toledo School for the Arts
333 14th Street
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Toledo School for the Arts, Lucas County, prepared by LublinSussman Group LLP, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Toledo School for the Arts is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 23, 2010

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INDEPENDENT AUDITOR'S REPORT

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, OH 43604

To the Governing Board:

We have audited the accompanying financial statements of Toledo School for the Arts, Lucas County, Ohio, (the School), as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toledo School for the Arts, Lucas County, Ohio, as of June 30, 2009, and the changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

www.lublinsussman.com

Douglas J. Welch, CPA, CVA
Lee D. Wunschel, CPA
Thomas J. Jaffee, JD, CPA
Terri S. Lee, CPA
Eric M. Golus, CPA

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2010 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Lublin Sussman Group LLP

February 18, 2010
Toledo, Ohio

The discussion and analysis of Toledo School for the Arts (TSA) financial performance provides an overall review of TSA's financial activities for the fiscal year ended June 30, 2009. Readers should also review the basic financial statements and notes to enhance their understanding of TSA's financial performance.

Highlights

The Toledo School for the Arts began its first year of operation in fiscal year 1999 with the main program offered for junior high and high school students in grades 8-10. Since then, the School has expanded its program offering to students in grades 6-12.

For the fiscal year ended June 30, 2009, TSA's net assets increased $409,756, or almost tripled. Revenues increased 14 percent with the majority of this increase reflected in State foundation resources due to increased enrollment. With increased enrollment, there was also an increase in expenses of 11 percent. However, the excess of revenues over expenses provided for the significant increase in net assets.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how TSA did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report TSA's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of TSA has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of TSA's net assets for fiscal year 2009 and fiscal year 2008:

Table 1
Net Assets

	2009	2008	Change
Assets:			
Current Assets	$241,625	$190,680	$50,945
Non-Current Assets (excluding capital assets)	617,621	1,158,585	(540,964)
Capital Assets, Net	4,274,878	3,462,651	812,227
Total Assets	5,134,124	4,811,916	322,208
Liabilities:			
Current Liabilities	696,918	734,302	37,384
Non-Current Liabilities	3,943,774	3,993,938	50,164
Total Liabilities	4,640,692	4,728,240	87,548

(continued)

Table 1
Net Assets

	2009	2008	Change
Net Assets:			
Invested in Capital Assets	$718,278	$434,010	$284,268
Restricted	394,822	935,349	(540,527)
Unrestricted (Deficit)	(619,668)	(1,285,683)	666,015
Total Net Assets	$493,432	$83,676	$409,756

The increase in current assets from the prior fiscal year was primarily due to a pledge receivable from a local philanthropic organization promising to donate $150,000 over the next three years in annual increments of $50,000. The decrease in non-current assets was the result of a decrease in restricted cash and cash equivalents. These are amounts held by a fiscal agent for current and future debt service needs. Note this decrease is also reflected in the decrease in restricted net assets. Various building improvements are reflected in the increase in net capital assets. Lastly, the increase in unrestricted net assets reflects the excess of revenues over expenses for fiscal year 2009.

Table 2 reflects the change in net assets for fiscal year 2009 and fiscal year 2008.

Table 2
Change in Net Assets

	2009	2008	Change
Operating Revenues:			
Foundation	$3,567,481	$3,066,123	$501,358
Sales	189,595	141,382	48,213
Other Operating Revenues	48,284	121,862	(73,578)
Total Operating Revenues	3,805,360	3,329,367	475,993
Non-Operating Revenues:			
Operating Grants	351,146	318,730	32,416
Contributions and Donations	472,159	350,141	122,018
Interest Revenue	19,764	16,241	3,523
Total Non-Operating Revenues	843,069	685,112	157,957
Total Revenues	4,648,429	4,014,479	633,950
Operating Expenses:			
Salaries	2,144,595	1,872,243	(272,352)
Fringe Benefits	608,966	498,649	(110,317)
Purchased Services	852,307	803,831	(48,476)
Materials and Supplies	234,487	170,253	(64,234)
Depreciation	121,920	174,060	52,140
Other Operating Expenses	22,287	83,060	60,773
Total Operating Expenses	3,984,562	3,602,096	(382,466)
Non-Operating Expenses			
Interest Expense	254,111	209,440	(44,671)
Total Expenses	4,238,673	3,811,536	(427,137)
Increase in Nets Assets	409,756	202,943	206,813
Net Assets (Deficit) at Beginning of Year	83,676	(119,267)	202,943
Net Assets at End of Year	$493,432	$83,676	$409,756

As indicated previously, Foundation revenues increased based on increased enrollment. The increase in sales is generally due to an increase in fees and from performance revenues. The decrease in other operating revenues is the loss of rental income from Dunbar Academy, a previous tenant using space within the TSA facility. Contributions and donations reflects pledged donations to TSA.

The increase in students necessitated an increase in staff and resulted in the increase in salaries and fringe benefits expenses. The decrease in purchased services, in part, corresponds to TSA's ability to utilize he first floor space vacated by Dunbar Academy, thereby eliminating TSA's need to rent other accommodations on the second floor.

Budgeting

TSA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

At the end of fiscal year 2009, TSA had $4,274,878 invested in capital assets (net of accumulated depreciation). Additions during the fiscal year primarily consisted of building improvements. For further information regarding TSA's capital assets, refer to Note 6 to the basic financial statements.

Debt Administration

At the end of fiscal year 2009, TSA had outstanding development revenue bonds, in the amount of $3,645,000, and outstanding loans, in the amount of $467,117. Final maturity on the revenue bonds is in fiscal year 2028 and final maturity on the loans is in fiscal years 2014 and 2015. For further information regarding TSA's long-term obligations, refer to Note 11 to the basic financial statements.

Current Issues

On November 14, 2007, the Bowling Green State University voted to adopt the sponsorship contract of TSA for a period of five years, from July 1, 2008, through June 30, 2013. The sponsorship agreement was submitted to the Office of Community Schools and received by their office on November 14, 2007.

In July 2008, Toledo School for the Arts established an endowment fund in partnership with The Toledo Community Foundation, Inc. This endowment was established to provide funding which would not otherwise be available through federal, state, or local sources.

Contacting TSA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of TSA's finances and to reflect TSA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelley Allred, Treasurer, Toledo School for the Arts, 333 14th Street, Toledo, Ohio, 43604.

Toledo School for the Arts
Statement of Net Assets
June 30, 2009

Assets:	
Current Assets:	
Cash and Cash Equivalents	$28,752
Accounts Receivable	6,764
Intergovernmental Receivable	96,724
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	18,052
Pledges Receivable	91,333
Total Current Assets	241,625
Non-Current Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	376,770
Pledges Receivable	60,334
Unamortized Bond Issuance Costs	180,517
Nondepreciable Capital Assets	58,300
Depreciable Capital Assets, Net	4,216,578
Total Non-Current Assets	4,892,499
Total Assets	5,134,124
Liabilities:	
Current Liabilities:	
Accounts Payable	29,967
Accrued Wages and Benefits Payable	312,289
Intergovernmental Payable	86,749
Accrued Interest Payable	3,269
Security Deposits	32,000
Deferred Revenue	64,301
Development Revenue Bonds Payable	120,000
Loans Payable	48,343
Total Current Liabilities	696,918
Non-Current Liabilities	
Development Revenue Bonds Payable	3,525,000
Loans Payable	418,774
Total Non-Current Liabilities	3,943,774
Total Liabilities	4,640,692
Net Assets:	
Invested in Capital Assets, Net of Related Debt	718,278
Restricted for:	
Current Debt Service	18,052
Future Debt Service	376,770
Unrestricted (Deficit)	(619,668)
Total Net Assets	$493,432

See Accompanying Notes to Basic Financial Statements

Toledo School for the Arts
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

Operating Revenues:	
Foundation	$3,567,481
Sales	189,595
Other Operating Revenues	48,284
Total Operating Revenues	3,805,360
Operating Expenses:	
Salaries	2,144,595
Fringe Benefits	608,966
Purchased Services	852,307
Materials and Supplies	234,487
Depreciation	121,920
Other Operating Expenses	22,287
Total Operating Expenses	3,984,562
Operating Loss	(179,202)
Non-Operating Revenues (Expenses)	
Operating Grants	351,146
Contributions and Donations	472,159
Interest Revenue	19,764
Interest Expense	(254,111)
Total Non-Operating Revenues (Expenses)	588,958
Change in Net Assets	409,756
Net Assets at Beginning of Year - Restated (Note 3)	83,676
Net Assets at End of Year	$493,432

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Foundation	$3,567,481
Cash Received from Sales	189,020
Cash Received from Other Revenues	48,080
Cash Payments for Personal Services	(2,115,883)
Cash Payments for Fringe Benefits	(606,794)
Cash Payments for Goods and Services	(1,152,860)
Cash Payments for Other Expenses	(42,038)
Net Cash Used for Operating Activities	(112,994)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	334,436
Cash Received from Contributions and Donations	409,143
Net Cash Provided by Noncapital Financing Activities	743,579
Cash Flows from Capital and Related Financing Activities	
Principal paid on Development Revenue bonds	(105,000)
Interest paid on Development Revenue bonds	(234,803)
Principal paid on loans	(39,441)
Interest paid on loans	(25,306)
Loan Proceeds	125,089
Acquisition of Capital Assets	(934,147)
Net Cash Used for Capital and Related Financing Activities	(1,213,608)
Cash Flows from Investing Activities:	
Cash Received from Interest	19,764
Net Decrease in Cash and Cash Equivalents	(563,259)
Cash and Cash Equivalents at Beginning of Year	986,833
Cash and Cash Equivalents at End of Year	$423,574
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($179,202)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	121,920
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(3,032)
Decrease in Accounts Payable	(106,478)
Increase in Accrued Wages and Benefits Payable	31,855
Increase in Intergovernmental Payable	19,690
Increase in Deferred Revenue	2,253
Net Cash Used for Operating Activities	($112,994)

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Fiduciary Assets and Liablilities
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$13,690	$17,865
Liabilities:		
Due to Students	0	$17,865
Net Assets:		
Held in Trust for Scholarships	$13,690	

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
June 30, 2009

	Private Purpose Trust
Additions:	
Contributions and Donations	$20,426
Deductions:	
Non-Instructional Services	14,503
Change in Net Assets	5,923
Net Assets at Beginning of Year - Restated (Note 3)	7,767
Net Assets at End of Year	$13,690

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School

Toledo School for the Arts (TSA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TSA 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 TSA's tax exempt status. TSA'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. TSA encompasses a safe community environment, discovery based methods, parenting education, critical thinking, and problem solving. TSA's programs are currently available to students in grades 6 through 12. TSA, 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. TSA may acquire facilities as needed and contract for any services necessary for the operation of TSA.

TSA was approved for operation under a contract with Bowling Green State University (the Sponsor) for a period of five years commencing July 1, 2008. The Sponsor is responsible for evaluating the performance of TSA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

TSA operates under the direction of a fifteen 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. It is staffed by fifteen classified employees, fifty-four certified teaching personnel, and seven administrative employees who provide services to five hundred eight students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

TSA's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets and a statement of cash flows.

TSA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Note 2 - Summary of Significant Accounting Policies (continued)

TSA also maintains two fiduciary funds. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by TSA under a trust agreement for individuals, private organizations, or other governments and are not available to support TSA'S own programs. TSA's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. TSA's agency fund accounts for various non-instructional student-managed activities.

C. Measurement Focus

TSA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of TSA are included on the statement of net assets. The statement of revenues, expenses, and change in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how TSA finances and meets its cash flow needs.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. TSA's 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, are recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which TSA receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which TSA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to TSA on a reimbursement basis. Expenses are recognized at the time they are incurred.

E. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by TSA's contract with its Sponsor. The contract between TSA and its Sponsor does prescribe a budget requirement.

F. Cash and Cash Equivalents

Cash held by TSA is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2009, TSA invested in mutual funds which are reported at fair value. Fair Value is based on current share price.

Note 2 - Summary of Significant Accounting Policies (continued)

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets represent certain resources which are segregated from other resources of TSA to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of TSA or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

H. Unamortized Issuance Costs

Issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds.

I. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. TSA maintains a capitalization threshold of five thousand dollars. TSA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Buildings and Building Improvements	15 - 50 years
Furniture, Fixtures, and Equipment	5 years

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by TSA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. TSA first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

Note 2 - Summary of Significant Accounting Policies (continued)

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of TSA. For TSA, these revenues are generally foundation payments from the State. Sales consisted of tickets sales, store sales, and school fees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of TSA. All revenues and expenses not meeting this definition are reported as non-operating.

L. 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.

Note 3 - Restatement of Net Assets

TSA has changed the classification of several funds to appropriately reflect the purpose and use of the funds. In addition, in the prior fiscal year, TSA did not accurately record capital assets, capital leases, and the related accumulated depreciation. Certain reclassifications have been made to the opening balances on the June 30, 2009 financial statements. These reclassifications have no impact on the previously reported change in net assets.

The restatement had the following effect on net assets.

	Total Business-Type Activities	Private Purpose Trust
Net Assets at June 30, 2008	$234,743	$0
Change in Fund Structure	(9,701)	7,767
Capital Assets	(442,048)	0
Capital Leases	(4,340)	0
Accumulated Depreciation	305,022	0
Adjusted Net Assets at June 30, 2008	$83,676	$7,767

Note 4 - Deposits and Investments

At fiscal year end, the carrying amount of TSA's deposits was $192,543 and the bank balance was $192,543. The entire bank balance was covered by federal depository insurance.

As of June 30, 2009, TSA's investments consisted of mutual funds, in the amount of $393,526. The mutual funds had a AAA rating from Moody's and an average maturity of 42 days. TSA has no policy addressing interest rate risk.

Note 5 - Receivables

Receivables at June 30, 2009, consisted of accounts, intergovernmental, and pledges receivable. All receivables are considered collectible due to the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except pledges, are expected to be collected within one year. Pledges, in the amount of $60,334, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
State of Ohio	$1,475
Idea Part-B	18,083
Title I	65,265
Drug Free	2,034
Title II-A	9,429
Title II-D	438
Total Intergovernmental Receivables	$96,724

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Business-Type Activities				
Nondepreciable Capital Assets				
Land	$58,300	$0	$0	$58,300
Construction in Progress	11,900	922,154	(934,054)	0
Total Nondepreciable Capital Assets	70,200	922,154	(934,054)	58,300
Depreciable Capital Assets				
Buildings and Building Improvements	3,617,853	916,465	0	4,534,318
Furniture, Fixtures, and Equipment	43,373	29,582	0	72,955
Total Depreciable Capital Assets	3,661,226	946,047	0	4,607,273
Less Accumulated Depreciation				
Buildings and Building Improvements	(243,630)	(107,329)	0	(350,959)
Furniture, Fixtures, and Equipment	(25,145)	(14,591)	0	(39,736)
Total Accumulated Depreciation	(268,775)	(121,920)	0	(390,695)
Depreciable Capital Assets, Net	3,392,451	824,127	0	4,216,578
Capital Assets, Net	$3,462,651	$1,746,281	($934,054)	$4,274,878

Note 7 - Risk Management

TSA 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 2009, TSA contracted for the following insurance coverage:

Coverage provided by The Netherlands Insurance Company is as follows:

Building and Contents	$3,765,000
Umbrella Liability	2,000,000
General School District Liability	
Per Occurrence	1,000,000
Total Per Year	2,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage for the past three fiscal years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

Workers' compensation coverage is provided by the State of Ohio. TSA pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - TSA contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Note 8 - Defined Benefit Pension Plans (continued)

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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. TSA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio 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.

TSA's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was $223,351, $203,593 and $184,479 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 were $4,331 made by TSA and $7,439 made by the plan members.

B. School Employees Retirement System

Plan Description - TSA contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and TSA was required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of TSA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. TSA's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was $33,640, $25,539, and $23,919 respectively; 39 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 9 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - TSA contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. TSA's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was $17,514, $15,675, and $14,202, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. School Employees Retirement System

Plan Description - TSA contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was $5,584.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

TSA's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was $15,395, $11,654, and $7,941 respectively; 39 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 9 - Postemployment Benefits (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. TSA's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was $2,776, $1,840, and $1,626 respectively; 39 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 10 - Other Employee Benefits

TSA provides medical benefits through Paramount, vision benefits through Vision Service Plan, and dental benefits through Delta Dental. The Board pays the entire monthly premium, except for part-time employees who pay a pro-rated portion for their benefits.

TSA also provides life insurance to active full-time employees through the Hartford Life Insurance Company.

Note 11 - Long-Term Obligations

Changes in TSA's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
Long-Term Obligations					
FY 2008 Development Revenue Bonds - 5.5%	$3,750,000	$0	$105,000	$3,645,000	$120,000
Loans Payable					
FY 2008 Loan - 7.25%	264,469	125,089	39,441	350,117	48,343
FY 2005 Loan - 0%	117,000	0	0	117,000	0
Total Loans	381,469	125,089	39,441	467,117	48,343
Total Long-Term Obligations	$4,131,469	$125,089	$144,441	$4,112,117	$168,343

FY 2008 Development Revenue Bonds - On December 19, 2007, Toledo Lucas County Port Authority issued bonds on behalf of TSA, in the amount of $3,750,000, for building acquisition and improvement. Of this amount, $375,000 was not capitalized. The bonds were issued for a twenty year period, with final maturity in fiscal year 2028.

The bonds are subject to optional redemption, by and at the sole option of TSA, either in whole or in part and in integral multiples of $5,000, on any date on or after November 15, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

Note 11 - Long-Term Obligations (continued)

The bonds are also subject to mandatory sinking redemption at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on each May 15 and November 15, in the following principal amounts and in the years specified:

Year	May 15 Principal Amount	November 15 Principal Amount
2008	-	$40,000
2009	$55,000	60,000
2010	60,000	60,000
2011	65,000	65,000
2012	65,000	70,000
2013	65,000	60,000
2014	60,000	60,000
2015	65,000	65,000
2016	65,000	70,000
2017	70,000	75,000
2018	75,000	80,000
2019	80,000	85,000
2020	85,000	85,000
2021	90,000	95,000
2022	95,000	100,000
2023	100,000	105,000
2024	110,000	110,000
2025	115,000	120,000
2026	120,000	125,000
2027	130,000	135,000
2028	515,000	-

FY 08 Loan - On December 1, 2007, TSA obtained a loan, in the amount of $400,000, from the Toledo Lucas County Port Authority for building acquisition and improvement. The loan was issued for a seven year period, with final maturity in fiscal year 2015.

FY 05 Loan - On July 15, 2004, TSA obtained a loan, in the amount of $150,000, from the Stranahan Foundtion for building acquisition and improvement. The loan was issued for a fifteen year period, with final maturity in fiscal year 2020. Effective, December 1, 2013, an annual interest rate of prime minus 1 percent will be charged on any outstanding principal balance.

Note 11 - Long-Term Obligations (continued)

Principal and interest requirements to retire outstanding long-term obligations at June 30, 2009, were as follows:

	Development Revenue Bonds	
Fiscal Year Ending June 30,	Principal	Interest
2010	$120,000	$219,069
2011	125,833	211,772
2012	130,833	204,020
2013	133,333	195,965
2014	120,000	188,163
2015-2019	709,167	822,418
2020-2024	954,167	576,425
2025-2028	1,351,667	888,067
Total	$3,645,000	$3,305,899

	FY 08 Loan	
Fiscal Year Ending June 30,	Principal	Interest
2010	$48,343	$23,798
2011	51,967	20,174
2012	55,862	16,279
2013	60,049	12,092
2014	64,551	7,590
2015	69,345	2,217
Total	$350,117	$82,150

	FY 05 Loan	
Fiscal Year Ending June 30,	Principal	Interest
2010	$0	$0
2011	0	0
2012	0	0
2013	33,000	0
2014	84,000	0
Total	$117,000	$0

Note12 - Line of Credit

For fiscal year 2009, TSA had a line of credit with Huntington National Bank for $150,000. During the fiscal year, TSA drew $85,000 against the line of credit and repaid this amount within the fiscal year. The line of credit had a variable interest rate, which was 5 percent as of June 30, 2009.

Note13 - Operating Lease

TSA entered into an operating lease with Toledo Infocom LLC for the use of the second floor of the building located at 333 Fourteenth Street, Toledo, Ohio 43604. The period commenced on August 1, 2004 and was terminated without penalty in August 2008. Lease payments were $3,992 for fiscal year 2009. At fiscal year end, all rent owed to the lessor was paid in full.

TSA entered into an operating lease with Melkonian Investments for office and storage space located at 333 Fourteenth Street, Toledo, Ohio 43604. The period commenced in August 2007 and is ongoing. Lease payments were $3,000 for fiscal year 2009. At fiscal year end, all rent owed to the lessor was paid in full.

Note14 - Contingencies

A. Grants

TSA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of TSA at June 30, 2009.

B. Litigation

TSA is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community 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. The conclusions of this review could result in State funding being adjusted. As of the date of this report, the results of this review are not available for fiscal year 2009.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, OH 43604

To the Governing Board:

We have audited the basic financial statements of Toledo School for the Arts, Lucas County, Ohio; (the School) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 the normal course of 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 School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We also noted a certain matter that we reported to the School's management in a separate letter dated February 18, 2010.

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

Lublin Sussman Group LLP

February 18, 2010
Toledo, Ohio

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Material Weakness: Detection of Material Misstatements	Yes	
2008-002	Noncompliance Citation: School's Bonds Exceed Fifteen Year Limitation	No	Finding No Longer Valid: Bond Terms Include Extraordinary Redemption Clause

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Toledo School for the Arts
333 14th St.
Toledo, OH 43604

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Toledo School for the Arts has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 1, 2007.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B).

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Education Rights and Privacy Act of 1974, " 88 Stat. 571, 20 U.S.C.1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any reported incident;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a website, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Lublin Sussman Group LLP

February 18, 2010

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
MAY 6, 2010