



**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Performing Arts School of Metropolitan Toledo  
Lucas County  
c/o The Ohio Council of Community Schools  
3131 Executive Parkway, Suite 306  
Toledo, Ohio 43606-1327

To the Sponsor:

We were engaged to audit the accompanying financial statements of the Performing Arts School of Metropolitan Toledo, Lucas County, Ohio (the School), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the School's management.

Management has not provided the Auditor of State certain written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the School's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the School's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants; the identification of all federal assistance programs, and compliance with federal grant requirements.

Ohio Administrative Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. As discussed in Note 2, the School chose to prepare its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Since the School did not provide the evidence described in the preceding two paragraphs, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express an opinion on the financial activity of the School.

As discussed in Note 1 to the financial statements, the Sponsor, Ohio Council of Community Schools, notified the School of the non-renewal of the sponsor contract. The sponsor officially closed the school at the end of the fiscal 2007 school year.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2008, 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 did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

Generally accepted accounting principles also requires the School to include Management's Discussion and Analysis for the period ended June 30, 2006. The School has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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

**Mary Taylor, CPA**  
Auditor of State

February 11, 2008

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Operating Cash Receipts</b>	
Foundation Payments	\$634,620
Classroom Materials and Fees	8,404
Extracurricular Activities	672
Other Operating Revenues	<u>7,889</u>
 Total Operating Cash Receipts	 <u>651,585</u>
<b>Operating Cash Disbursements</b>	
Salaries	370,615
Fringe Benefits	116,546
Purchased Services	146,955
Supplies and Materials	18,493
Capital Outlay	12,056
Other Operating Expenses	<u>7,971</u>
 Total Operating Cash Disbursements	 <u>672,636</u>
 Operating Receipts Under Operating Disbursements	 <u>(21,051)</u>
<b>Non-Operating Cash Receipts</b>	
Operating Grants - Federal	8,150
Operating Grants - State	1,475
Proceeds from Sale of Public Debt:	
Sale of Notes	15,000
Contributions and Donations	4,306
Miscellaneous	2,537
Earnings on Investments	<u>32</u>
 Total Non-Operating Cash Receipts	 <u>31,500</u>
<b>Non-Operating Cash Disbursements</b>	
Principal Payments	8,374
Interest Payments	8,990
Fiscal Charges & Fees	<u>3,757</u>
 Total Non-Operating Cash Disbursements	 <u>21,121</u>
 Net Receipts Under Disbursements	 (10,672)
 Cash Balance at Beginning of Year	 <u>15,091</u>
 <b>Cash Balance at End of Year</b>	 <b><u><u>\$4,419</u></u></b>

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

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Performing Arts School of Metropolitan Toledo (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objective is to provide academic and artistic growth in a disciplined and nurturing environment to students in grades 7-12 who are motivated, able students with an interest in the performing arts and whose families value a fine arts education. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (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 was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) through June 2006. Effective July 1, 2006, the School changed its sponsor from the Lucas County Educational Service Center to The Ohio Council of Community Schools. The contract was effective through June 30, 2011; however, as noted below and in Note 12, the School's Sponsor closed the school effective June 30, 2007. 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. During the year ended June 30, 2006, the Treasurer of the sponsor served as the Chief Financial Officer of the School. Effective August 9, 2006, the School changed its fiscal services to ACE Charter School Services.

The School operates under the direction of a five-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 3 non-certified and 10 certificated personnel who provide services to 93 students.

**Closing of the School**

In July of 2007, the Sponsor, Ohio Council of Community Schools, notified the School of the non-renewal of the sponsor contract. The sponsor officially closed the school at the end of the fiscal 2007 school year.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

Although required by Ohio Administrative Code § 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School chose to prepare its financial statements on a basis of accounting that is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**B. Budgetary Process**

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**C. Property Plant and Equipment**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**D. Cash**

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.

**E. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, Special Education Program, and Federal CCIP Program. Revenues received from State Foundation Program, Special Education Program and other State programs are recognized as operating revenues in the accounting period they are received, whereas revenues from CCIP Program and other State Grants are recognized as non-operating revenues in the accounting period in which they are received.

**NOTE 3 - DEPOSITS**

At June 30, 2006, the School had a cash balance of \$4,419. The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

**NOTE 4 - 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 2006, the School contracted with the Brooks Insurance Agency for the following insurance coverages:

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 - RISK MANAGEMENT – (Continued)**

Commercial Property (\$500 deductible)	\$ 175,000
Commercial General Liability per Occurrence	1,000,000
Commercial General Liability Aggregate	2,000,000
Commercial General Liability Personal & Advertising Injury	1,000,000
Teacher's Professional Liability per Occurrence	1,000,000
Teacher's Professional Liability Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School owns no real estate, but leased a facility located at 425 Jefferson Avenue, Toledo, Ohio. (See Note 11)

**B. Workers' Compensation**

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

**C. Employees Medical, Dental, Vision, Life, and Disability Benefits**

The School has contracted through the Sponsor to provide medical and dental insurance benefits to its full time employees. The School also provides vision benefits to most employees through Vision Service Plan.

**NOTE 5 - DEBT**

On January 17, 2001, the School entered into a revolving line of credit in the amount of \$150,000, payable on demand. The note bears a variable interest rate of one percentage point above the prime rate. The terms of the note include monthly interest payments, which totaled \$7,819 for 2006. The note is collateralized by all assets of the School.

On April 19, 2001, the School entered into an installment note in the amount of \$25,360. The terms of the note included the repayment of principal and interest at June 30. The note was modified on June 28, 2001, to include sixty monthly principal and interest payments of \$516 beginning on July 30, 2001. The note bears a variable interest rate of one percentage point above the prime. The terms of the note include monthly principal and interest payments, which totaled \$2,112 for 2006. The note matures on March 30, 2007, and is collateralized by all assets of the School.

On July 26, 2005, the School entered into an installment note in the amount of \$15,000. The note bears a variable interest rate of one percentage point above the prime. The terms of the note include monthly interest payments, which totaled \$7,434 for 2006. The note matures on October 26, 2006, and is collateralized by all assets of the School.

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 5 – DEBT – (Continued)**

	Balance 07/01/05	Additions	Deletions	Balance 06/30/06
Demand Note (Sky Bank)	\$145,344			\$145,344
Installment Note (Sky Bank)	5,057		(1,794)	3,263
Installment Note (Sky Bank)		15,000	(6,580)	8,420
<b>Total Debt</b>	<b>\$ 150,401</b>	<b>\$ 15,000</b>	<b>\$ (8,374)</b>	<b>\$ 157,027</b>

The following is a schedule of the future payments required for the installment notes payable as of June 30, 2006:

Year Ending June 30,	Principal	Interest
2007	\$ 11,683	\$ 398

**NOTE 6 - 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 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2006, 10.58% of annual covered salary was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$10,580, \$8,724 and \$6,837 respectively; 79 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**B. State Teachers Retirement System**

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

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS – (Continued)**

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004, were \$35,180, \$35,769 and \$55,402, respectively; 100 percent has been contributed for fiscal years 2006, 2005, and 2004.

**NOTE 7 - POSTEMPLOYMENT BENEFITS**

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

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 7 - POSTEMPLOYMENT BENEFITS – (Continued)**

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. STRS Ohio pays health care benefits from the Health Care Reserve fund. For the School, this amount equaled \$2,706 for fiscal year 2006. STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available) the balance in the Health Care Reserve fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$3,420.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

**NOTE 8 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2006.

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 8 – CONTINGENCIES – (Continued)**

**B. State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. As a result of said review, the School's State Foundation funding will be increased by \$3,349 for fiscal year 2006.

**C. Litigation**

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under the Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

**NOTE 9 - 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 \$11,128 was paid during the year.

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 the Sponsor 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 funds which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the School or that Officer's designee;
- 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 the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the 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.

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 10 - PURCHASED SERVICES**

For the year ended June 30, 2006, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 19,161
Property Services	117,902
Travel Mileage/Meeting Expense	59
Utilities	9,597
Contracted Craft or Trade Services	236
<i>Total Purchased Services</i>	<b>\$ 146,955</b>

**NOTE 11 - OPERATING LEASE**

The School entered into an operating lease agreement with Hillenbrand/Zaleski/Secor, LLC for the School's facility at 425 Jefferson Avenue. This agreement is, in substance, a rental agreement (operating leases), and is classified as operating lease rental payments in the financial statements. Payments made totaled \$102,000 during 2006. The School renewed the facility lease for an additional five-year term beginning August 1, 2002.

On October 27, 2006, the School terminated its lease with Hillenbrand/Zaleski/Secor and contracted with Lake Erie Villa, LLC for the School's facility at 2740 West Central Avenue . The term of the lease was until June 30, 2007.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2006.

Year Ending	Facility Rental
2007	\$ 102,000

**NOTE 12 - SUBSEQUENT EVENTS**

Effective July 1, 2006, the School changed its sponsor from the Lucas County Educational Service Center to The Ohio Council of Community Schools. The contract is effective through June 30, 2011.

Effective August 9, 2006, the School changed its fiscal services form the Lucas County Educational Service Center to ACE Charter School Services.

On October 27, 2006, the School terminated its lease with Hillenbrand/Zaleski/Secor and contracted with Lake Erie Villa, LLC for the School's facility. The term of the lease was until June 30, 2007.

On December 7, 2006, the School paid off both installment notes, the payoff amount totaled \$5,009 for both loans.

On January 15, 2007, Ohio Council of Community Schools terminated the President of the Governing Board.

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 12 - SUBSEQUENT EVENTS – (Continued)**

On January 26, 2007, the Ohio Council of Community Schools terminated the School's Director, Kari DiCianni.

On July 9, 2007, the Sponsor, Ohio Council of Community Schools, notified the School of the non-renewal of the sponsor contract. The sponsor officially closed the school at the end of the fiscal 2007 school year.

On January 8, 2008, the Auditor of State of Ohio began the closeout audit of the June 30, 2007, financial statements.

**NOTE 13 - SPECIAL AUDIT**

On October 18, 2007 a special audit was released by the Auditor of State of Ohio for the School which covered the period July 1, 2006, through February 9, 2007. This report revealed a total of \$119,083 in findings for recovery. The \$119,083 comprised of, \$42,057 in unsupported payments to Kari and William DiCianni, \$48,250 in unsupported payments to students for services, \$20,611 for withholding from employee paychecks that were not submitted to the required agencies, \$3,187 for overdraft and insufficient funds fees, \$3,618 for cash received and not deposited, and \$1,360 for fundraising money that was collected for a fundraiser but not deposited. The special audit has been forwarded to the Lucas County Prosecuting Attorney.



# Mary Taylor, CPA

Auditor of State

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

Performing Arts School of Metropolitan Toledo  
Lucas County  
c/o The Ohio Council of Community Schools  
3131 Executive Parkway, Suite 306  
Toledo, Ohio 43606-1327

To the Sponsor:

We were engaged to audit the financial statements of the Performing Arts School of Metropolitan Toledo, Lucas County, Ohio, (the School) as of and for the year ended June 30, 2006, and have issued our report thereon dated February 11, 2008, wherein, we noted management failed to provide the Auditor of State certain representations as required by auditing standards generally accepted in the United States of America and the School uses a comprehensive basis of accounting other than generally accepted accounting principles.

### **Internal Control Over Financial Reporting**

In planning and performing our engagement, we considered the School's internal control over financial reporting to determine our procedures 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 were engaged to audit may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

### **Compliance and Other Matters**

As part of our engagement, we tested the School's 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 engagement and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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Performing Arts School of Metropolitan Toledo  
Lucas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
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We intend this report solely for the information and use of the sponsor. It is not intended for anyone other than this specified party.

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

**Mary Taylor, CPA**  
Auditor of State

February 11, 2008

PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO  
LUCAS COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2006

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

FINDING NUMBER 2006-001

**Noncompliance Citation**

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the School prepared its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**Officials' Response:**

We did not receive a response from officials to the finding reported above.





**Mary Taylor, CPA**  
Auditor of State

**PERFORMING ARTS SCHOOL OF METROPOLITAN TOLEDO**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2008**