TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

# Dave Yost · 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, 2009 through June 30, 2010.  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.

Dave Yost
Auditor of State

February 24, 2011

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone:  614-466-4514 or 800-282-0370          Fax:  614-466-4490
**www. auditor.state.oh.us**

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LublinSussman Group LLP
Certified Public Accountants

3166 N. Republic Blvd.
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

# 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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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.

We conducted our audit for the purpose of forming an opinion on the School's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the School's financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rehmann Sussman Group LLP

December 13, 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, 2010. Readers should also review the basic financial statements and notes to enhance their understanding of TSA's financial performance.

## Highlights

For the fiscal year ended June 30, 2010, TSA's net assets increased $384,752, or 78 percent from the prior fiscal year. Revenues increased 6 percent with the majority of this increase reflected in operating grant resources due to a substantial increase in federal grants, mainly American Recovery and Reinvestment Act (ARRA) funding. A 3 percent increase in enrollment necessitated the purchase of additional materials and supplies and resulted in an overall increase in expenses of 7 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 2010. 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 2010 and fiscal year 2009:

Table 1
Net Assets

| | 2010 | 2009 | Change |
|---|---|---|---|
| Assets: | | | |
| Current Assets | $565,600 | $241,625 | $323,975 |
| Non-Current Assets (excluding capital assets) | 660,332 | 617,621 | 42,711 |
| Capital Assets, Net | 4,191,399 | 4,274,878 | (83,479) |
| Total Assets | 5,417,331 | 5,134,124 | 283,207 |
| Liabilities: | | | |
| Current Liabilities | 773,173 | 696,918 | (76,255) |
| Non-Current Liabilities | 3,765,974 | 3,943,774 | 177,800 |
| Total Liabilities | 4,539,147 | 4,640,692 | 101,545 |

(continued)

Table 1
Net Assets

| | 2010 | 2009 | Change |
|---|---|---|---|
| Net Assets: | | | |
| Invested in Capital Assets | $793,624 | $718,278 | $75,346 |
| Restricted | 391,380 | 394,822 | (3,442) |
| Unrestricted (Deficit) | (306,820) | (619,668) | 312,848 |
| Total Net Assets | $878,184 | $493,432 | $384,752 |

The increase in current assets was largely due to American Recovery and Reinvestment (ARRA) resources and is reflected in both cash and cash equivalents and from outstanding receivables for ARRA grants. Both current and non-current assets increased from a local philanthropic organization promising to donate $150,000 over a three-year period in annual increments of $50,000, and a second $150,000 grant, payable over a five-year period.

The increase in current liabilities is due, in large part, to an increase in accrued wages (additional staff and an increase in wages) and an increase in the amount due to the School Employees Retirement System due to the System changing their collection process. The decrease in non-current liabilities resulted from the pay down of debt principal.

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

| | 2010 | 2009 | Change |
|---|---|---|---|
| Operating Revenues: | | | |
| Foundation | $3,387,947 | $3,567,481 | ($179,534) |
| Sales | 171,728 | 189,595 | (17,867) |
| Other Operating Revenues | 54,942 | 48,284 | 6,658 |
| Total Operating Revenues | 3,614,617 | 3,805,360 | (190,743) |
| Non-Operating Revenues: | | | |
| Operating Grants | 916,136 | 351,146 | 564,990 |
| Contributions and Donations | 409,758 | 472,159 | (62,401) |
| Interest Revenue | 2,050 | 19,764 | (17,714) |
| Total Non-Operating Revenues | 1,327,944 | 843,069 | 484,875 |
| Total Revenues | 4,942,561 | 4,648,429 | 294,132 |
| Operating Expenses: | | | |
| Salaries | 2,324,335 | 2,144,595 | (179,740) |
| Fringe Benefits | 719,009 | 608,966 | (110,043) |
| Purchased Services | 799,614 | 852,307 | 52,693 |
| Materials and Supplies | 299,224 | 234,487 | (64,737) |
| Depreciation | 119,109 | 121,920 | 2,811 |
| Other Operating Expenses | 40,626 | 22,287 | (18,339) |
| Total Operating Expenses | 4,301,917 | 3,984,562 | (317,355) |
| Non-Operating Expenses | | | |
| Interest Expense | 255,892 | 254,111 | (1,781) |
| Total Expenses | 4,557,809 | 4,238,673 | (319,136) |

(continued)

Table 2
Change in Net Assets
(continued)

| | 2010 | 2009 | Change |
|---|---|---|---|
| Increase in Nets Assets | $384,752 | $409,756 | ($25,004) |
| Net Assets at Beginning of Year | 493,432 | 83,676 | 409,756 |
| Net Assets at End of Year | $878,184 | $493,432 | $384,752 |

The most significant changes in revenues are reflected in foundation revenues and operating grants. The decrease in foundation revenues was based on reductions in funding made by the State of Ohio and reflected in the per pupil allocation. The increase in operating grants is generally from fiscal stabilization funds (ARRA resources).

The most significant changes in expenses are reflected in salaries and fringe benefits and due to an increase in wages as well as in staffing.

## 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 2010, TSA had $4,191,399 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 5 to the basic financial statements.

## Debt Administration

At the end of fiscal year 2010, TSA had outstanding development revenue bonds, in the amount of $3,525,000, and outstanding loans, in the amount of $418,774. 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 10 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 approved by the Office of Community Schools in November 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. The balance of the endowment on June 30, 2010, was $22,179.

## 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, 2010

| | |
|---|---|
| Assets: | |
| Current Assets: | |
| Cash and Cash Equivalents | $127,416 |
| Accounts Receivable | 19,252 |
| Intergovernmental Receivable | 306,885 |
| Restricted Assets: | |
| Cash and Cash Equivalents with Fiscal Agent | 16,380 |
| Pledges Receivable | 95,667 |
| Total Current Assets | 565,600 |
| | |
| Non-Current Assets: | |
| Restricted Assets: | |
| Cash and Cash Equivalents with Fiscal Agent | 375,000 |
| Pledges Receivable | 114,333 |
| Unamortized Bond Issuance Costs | 170,999 |
| Nondepreciable Capital Assets | 58,300 |
| Depreciable Capital Assets, Net | 4,133,099 |
| Total Non-Current Assets | 4,851,731 |
| | |
| Total Assets | 5,417,331 |
| | |
| Liabilities: | |
| Current Liabilities: | |
| Accounts Payable | 41,748 |
| Accrued Wages and Benefits Payable | 349,587 |
| Intergovernmental Payable | 100,666 |
| Accrued Interest Payable | 3,127 |
| Security Deposits | 32,000 |
| Deferred Revenue | 68,245 |
| Development Revenue Bonds Payable | 125,833 |
| Loans Payable | 51,967 |
| Total Current Liabilities | 773,173 |
| | |
| Non-Current Liabilities | |
| Development Revenue Bonds Payable | 3,399,167 |
| Loans Payable | 366,807 |
| Total Non-Current Liabilities | 3,765,974 |
| | |
| Total Liabilities | 4,539,147 |
| | |
| Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 793,624 |
| Restricted for: | |
| Current Debt Service | 16,380 |
| Future Debt Service | 375,000 |
| Unrestricted (Deficit) | (306,820) |
| Total Net Assets | $878,184 |

See Accompanying Notes to Basic Financial Statements

Toledo School for the Arts
Statement of Revenues, Expenses, and Change in Net Assets
For the Fiscal Year Ended June 30, 2010

| | |
|---|---|
| Operating Revenues: | |
| Foundation | $3,387,947 |
| Sales | 171,728 |
| Other Operating Revenues | 54,942 |
| Total Operating Revenues | 3,614,617 |
| | |
| Operating Expenses: | |
| Salaries | 2,324,335 |
| Fringe Benefits | 719,009 |
| Purchased Services | 799,614 |
| Materials and Supplies | 299,224 |
| Depreciation | 119,109 |
| Other Operating Expenses | 40,626 |
| Total Operating Expenses | 4,301,917 |
| | |
| Operating Loss | (687,300) |
| | |
| Non-Operating Revenues (Expenses) | |
| Operating Grants | 916,136 |
| Contributions and Donations | 409,758 |
| Interest Revenue | 2,050 |
| Interest Expense | (255,892) |
| Total Non-Operating Revenues (Expenses) | 1,072,052 |
| | |
| Change in Net Assets | 384,752 |
| | |
| Net Assets at Beginning of Year | 493,432 |
| Net Assets at End of Year | $878,184 |

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

| | |
|---|---|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities: | |
| Cash Received from Foundation | $3,387,947 |
| Cash Received from Sales | 177,503 |
| Cash Received from Other Revenues | 43,146 |
| Cash Payments for Personal Services | (2,303,391) |
| Cash Payments for Fringe Benefits | (688,738) |
| Cash Payments for Goods and Services | (1,087,057) |
| Cash Payments for Other Expenses | (40,626) |
| Net Cash Used for Operating Activities | (511,216) |
| Cash Flows from Noncapital Financing Activities: | |
| Cash Received from Operating Grants | 705,975 |
| Cash Received from Contributions and Donations | 348,902 |
| Net Cash Provided by Noncapital Financing Activities | 1,054,877 |
| Cash Flows from Capital and Related Financing Activities | |
| Principal Paid on Development Revenue Bonds | (120,000) |
| Interest Paid on Development Revenue Bonds | (222,631) |
| Principal Paid on Loans | (48,343) |
| Interest Paid on Loans | (23,885) |
| Proceeds from Line of Credit | 180,000 |
| Line of Credit Repayment | (180,000) |
| Acquisition of Capital Assets | (35,630) |
| Net Cash Used for Capital and Related Financing Activities | (450,489) |
| Cash Flows from Investing Activities: | |
| Cash Received from Interest | 2,050 |
| Net Increase in Cash and Cash Equivalents | 95,222 |
| Cash and Cash Equivalents at Beginning of Year | 423,574 |
| Cash and Cash Equivalents at End of Year | $518,796 |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | ($687,300) |
| Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities: | |
| Depreciation | 119,109 |
| Changes in Assets and Liabilities: | |
| Increase in Accounts Receivable | (9,965) |
| Increase in Accounts Payable | 11,781 |
| Increase in Accrued Wages and Benefits Payable | 37,298 |
| Increase in Intergovernmental Payable | 13,917 |
| Increase in Deferred Revenue | 3,944 |
| Net Cash Used for Operating Activities | ($511,216) |

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Fiduciary Assets and Liablilities
Fiduciary Funds
June 30, 2010

| | Private Purpose Trust | Agency |
|---|---|---|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | $22,861 | $13,487 |
| Liabilities: | | |
| Due to Students | 0 | $13,487 |
| Net Assets: | | |
| Held in Trust for Scholarships | $22,861 | |

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, 2010

| | Private Purpose Trust |
|---|---|
| Additions: | |
| Contributions and Donations | $37,059 |
| Deductions: | |
| Non-Instructional Services | 27,888 |
| Change in Net Assets | 9,171 |
| Net Assets at Beginning of Year | 13,690 |
| Net Assets at End of Year | $22,861 |

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 an eighteen 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-three certified teaching personnel, and seven administrative employees who provide services to five hundred twenty-three 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 2010, TSA invested in mutual funds which are reported at fair value. Fair value is based on current share price.

Cash and cash equivalents that are held separately with the Bank of New York are recorded as "Cash and Cash Equivalents with Fiscal Agent".

**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, 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, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing 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 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 - Deposits and Investments**

At fiscal year end, the carrying amount of TSA's deposits was $180,144 and the bank balance was $353,502. The entire bank balance was covered by federal depository insurance.

As of June 30, 2010, TSA's investments consisted of mutual funds, in the amount of $375,000. The mutual funds had a AAA rating from Moody's and an average maturity of 45 days. TSA has no policy addressing interest rate risk.

**Note 4 - Receivables**

Receivables at June 30, 2010, 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 $114,333, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|---|---|
| State of Ohio | $7,842 |
| Idea Part-B | 113,493 |
| Title I | 151,659 |
| Drug Free | 2,323 |
| Title II-A | 8,717 |
| Public Charter School Dissemination | 22,851 |
| Total Intergovernmental Receivables | $306,885 |

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

| | Balance at 6/30/09 | Additions | Reductions | Balance at 6/30/10 |
|---|---|---|---|---|
| Nondepreciable Capital Assets | | | | |
| Land | $58,300 | $0 | $0 | $58,300 |
| Depreciable Capital Assets | | | | |
| Buildings and Building Improvements | 4,534,318 | 35,630 | 0 | 4,569,948 |
| Furniture, Fixtures, and Equipment | 72,955 | 0 | 0 | 72,955 |
| Total Depreciable Capital Assets | 4,607,273 | 35,630 | 0 | 4,642,903 |
| Less Accumulated Depreciation | | | | |
| Buildings and Building Improvements | (350,959) | (108,120) | 0 | (459,079) |
| Furniture, Fixtures, and Equipment | (39,736) | (10,989) | 0 | (50,725) |
| Total Accumulated Depreciation | (390,695) | (119,109) | 0 | (509,804) |
| Depreciable Capital Assets, Net | 4,216,578 | (83,479) | 0 | 4,133,099 |
| Capital Assets, Net | $4,274,878 | ($83,479) | $0 | $4,191,399 |

**Note 6 - 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 2010, TSA contracted for the following insurance coverage:

| | |
|---|---|
| Coverage provided by The Netherlands Insurance Company is as follows: | |
| Building and Contents | $3,877,950 |
| 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 7 - Defined Benefit Pension Plans

### A. State Teachers Retirement System

Plan Description - The School District 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.

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, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District 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, 2010, 2009, and 2008 was $240,378, $223,351, and $203,593 respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were $9,467 made by TSA and $13,507 made by the plan members.

**Note 7 - Defined Benefit Pension Plans** (continued)

**B. School Employees Retirement System**

Plan Description - The School District 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, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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, 2010, 2009, and 2008 was $36,767, $33,640, and $25,539 respectively; 31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 8 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District 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. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. TSA's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was $19,219, $17,514, and $15,675, respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 8 - Postemployment Benefits** (continued)

**B. School Employees Retirement System**

Plan Description - The School District 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 2010, .46 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 2010, the surcharge amount was $5,754.

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, 2010, 2009, and 2008 was $1,323, $15,395, and $11,654 respectively; 31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, this actuarially required allocation was .76 percent of covered payroll. TSA's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was $2,186, $2,776, and $1,840 respectively; 31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 9 - 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 $25,000 group term life insurance to active full-time employees through the Hartford Life Insurance Company.

**Note 10 - Long-Term Obligations**

Changes in TSA's long-term obligations during fiscal year 2010 were as follows:

| | Balance at 6/30/09 | Additions | Reductions | Balance at 6/30/10 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Long-Term Obligations | | | | | |
| FY 2008 Development Revenue Bonds - 5.5% | $3,645,000 | $0 | $120,000 | $3,525,000 | $125,833 |
| Loans Payable | | | | | |
| FY 2008 Loan - 7.25% | 350,117 | 0 | 48,343 | 301,774 | 51,967 |
| FY 2005 Loan - 0% | 117,000 | 0 | 0 | 117,000 | 0 |
| Total Loans | 467,117 | 0 | 48,343 | 418,774 | 51,967 |
| Total Long-Term Obligations | $4,112,117 | $0 | 168,343 | $3,943,774 | $177,800 |

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 10 - 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 | $0 | $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 | 0 |

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 10 - Long-Term Obligations** (continued)

Principal and interest requirements to retire outstanding long-term obligations at June 30, 2010, were as follows:

| | Development Revenue Bonds | |
|---|---|---|
| Fiscal Year Ending June 30, | Principal | Interest |
| 2011 | $125,833 | $211,772 |
| 2012 | 130,833 | 204,020 |
| 2013 | 133,333 | 195,965 |
| 2014 | 120,000 | 188,163 |
| 2015 | 125,833 | 180,866 |
| 2016-2020 | 753,334 | 778,710 |
| 2021-2025 | 1,010,834 | 518,292 |
| 2026-2028 | 1,125,000 | 148,521 |
| Total | $3,525,000 | $2,426,309 |

| | FY 08 Loan | |
|---|---|---|
| Fiscal Year Ending June 30, | Principal | Interest |
| 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 | $301,774 | $58,352 |

| | 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 |

**Note 11 - Line of Credit**

For fiscal year 2010, TSA had a line of credit with Huntington National Bank for $150,000. During the fiscal year, TSA drew $180,000 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, 2010.

## Note12 - Operating Lease

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 $2,400 for fiscal year 2010. At fiscal year end, all rent owed to the lessor was paid in full.

## Note13 - 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, 2010.

### B. Litigation

There are currently no matters in litigation with TSA as a defendant.

### 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 2010.

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
(CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

| Federal Grantor/ Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Receipts | Federal Disbursements |
|---|---|---|---|---|
| United States Department of Agriculture: | | | | |
| (Passed through Ohio Department of Education) | | | | |
| Nutrition Cluster: | | | | |
| National School Lunch Program | 10.555 | N/A | $ 21,452 | $ 21,452 |
| Total United States Department of Agriculture | | | 21,452 | 21,452 |
| United States Department of Education: | | | | |
| (Passed through Ohio Department of Education) | | | | |
| Special Education Cluster: | | | | |
| Education Grants to States | 84.027 | 2010 | 64,594 | 75,243 |
| Education Grants to States | 84.027 | 2009 | 11,669 | 11,237 |
| ARRA - Special Education Grants to States | 84.391 | 2010 | 0 | 2,232 |
| Total Special Education Cluster: | | | 76,263 | 88,712 |
| Title I, Part A Cluster: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2010 | 161,760 | 167,415 |
| Title I Grants to Local Educational Agencies | 84.010 | 2009 | 42,144 | 35,336 |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | 2010 | 73,042 | 73,266 |
| Total Title I, Part A Cluster: | | | 276,946 | 276,017 |
| Title IV Safe and Drug-Free Schools: | | | | |
| Title IV Safe and Drug-Free Schools | 84.186 | 2010 | 241 | 2,284 |
| Title IV Safe and Drug-Free Schools | 84.186 | 2009 | 1,881 | 0 |
| Total Title IV Safe and Drug-Free Schools: | | | 2,122 | 2,284 |
| Charter School Dissemination Grant | 84.282 | 2010 | 31,530 | 22,233 |

See Notes to Schedule of Federal Awards, Receipts and Expenditures

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
(CASH BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

| Federal Grantor/ Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Receipts | Federal Disbursements |
|---|---|---|---|---|
| Educational Technology: | | | | |
| Educational Technology State Grants | 84.318 | 2010 | 1,909 | 1,568 |
| Educational Technology State Grants | 84.318 | 2009 | 363 | 536 |
| Total Educational Technology: | | | 2,272 | 2,104 |
| Title II-A Improving Teacher Quality: | | | | |
| Title II-A Improving Teacher Quality Grant | 84.367 | 2010 | 6,474 | 14,517 |
| Title II-A Improving Teacher Quality Grant | 84.367 | 2009 | 8,260 | 254 |
| Total Title II-A Improving Teacher Quality: | | | 14,734 | 14,771 |
| ARRA-State Fiscal Stabilization Fund | 84.394 | 2010 | 232,247 | 232,247 |
| Total U.S. Department of Education | | | 636,114 | 638,368 |
| Total All Federal Assistance | | | $ 657,566 | $ 659,820 |

See Notes to Schedule of Federal Awards Receipts and Expenditures

TOLEDO SCHOOL FOR THE ARTS
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010

(1) BASIS OF PRESENTATION

The accompanying schedule of federal awards receipts and expenditures (the Schedule) summarizes the activity of Toledo School for the Arts (the School's) federal award programs. The Schedule has been prepared on the cash basis of accounting.

LublinSussman Group LLP
**Certified Public Accountants**

3166 N. Republic Blvd.
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

# 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, 2010, and have issued our report thereon dated December 13, 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 deficiency in internal control 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 material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that we consider to be deficiencies, 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 noted a certain matter that we reported to the School's management in a separate letter dated December 13, 2010.

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

Rehmann Sussman Group LLP

December 13, 2010
Toledo, Ohio

LublinSussman Group LLP
**Certified Public Accountants**

3166 N. Republic Blvd.
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

# REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Governing Board:

## Compliance

We have audited the compliance of the Toledo School for the Arts, Lucas County, Ohio; (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the Toledo School for the Arts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Rehmann Robson / LublinSussman Group LLP

December 13, 2010
Toledo, Ohio

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2010

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(v) | Were there any material internal control weakness reported for major federal programs? | No |
| (d)(1)(vi) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(vii) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(viii) | Are there any reportable findings under Section .510(a)? | No |
| (d)(1)(ix) | Major Programs (list) | Title I, Part A Cluster:<br>Title I - Grants to Local Educational Agencies CFDA #84.010<br>ARRA - Title I - Grants to Local Educational Agencies CFDA #84.389<br><br>ARRA State Fiscal Stabilization Fund - Education State Grants CFDA #84.394 |
| (d)(1)(x) | Dollar Threshold: Type A/B Programs | Type A: > $300,000<br>Type B: all others |
| (d)(1)(xi) | Low Risk Auditee? | No |

SCHEDULE OF FINDINGS (CONTINUED)
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2010

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

None.

## 3. FINDINGS FOR FEDERAL AWARDS

None.

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2010

**No prior audit findings.**

Dave Yost • Auditor of State

**TOLEDO SCHOOL OF 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**
**MARCH 8, 2011**

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
**www.auditor.state.oh.us**