TOLEDO SCHOOL FOR THE ARTS

LUCAS COUNTY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

LublinSussman Group LLP
Certified Public Accountants

Dave Yost • Auditor of State

Board of Directors
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, 2013 through June 30, 2014. 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

April 30, 2015

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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:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type and fiduciary activities of Toledo School for the Arts, Lucas County, Ohio, (the School), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Lee D. Wunschel, CPA
Thomas J. Jaffee, JD, CPA
Eric M. Golus, CPA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and fiduciary activities of Toledo School for the Arts, Lucas County, Ohio, as of June 30, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not express an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Lublin Sussman Group LLP

December 29, 2014
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, 2014. 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, 2014, TSA's net position increased $395,299, or 23 percent from the prior fiscal year. Revenues increased 16 percent due to an increase in State foundation resources and donations. Expenses increased 15 percent largely related to staff compensation and benefits as well as building improvements.

Using the Basic Financial Statements

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

The statement of net position and the statement of revenues, expenses, and change in net position reflect how TSA did financially during fiscal year 2014. 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 year's revenues and expenses regardless of when cash is received or paid.

These statements report TSA's net position and change in net position. This change in net position 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 position for fiscal year 2014 and fiscal year 2013:

Table 1
Net Position

	2014	2013	Change
Assets:			
Current Assets	$1,411,463	$1,146,900	$264,563
Non-Current Assets (excluding capital assets)	478,595	411,753	66,842
Capital Assets, Net	4,218,446	3,978,978	239,468
Total Assets	6,108,504	5,537,631	570,873
Liabilities:			
Current Liabilities	640,759	683,053	42,294
Non-Current Liabilities	3,231,834	3,015,001	(216,833)
Total Liabilities	3,872,593	3,698,054	(174,539)
Deferred Inflows of Resources	96,098	95,063	(1,035)

(continued)

Table 1
Net Position
(continued)

	2014	2013	Change
Net Position:			
Net Investment in Capital Assets	$1,235,779	$1,134,977	$100,802
Restricted	389,017	389,576	(559)
Unrestricted	515,017	219,961	295,056
Total Net Position	$2,139,813	$1,744,514	$395,299

The increase in current assets was primarily due to an increase in cash and cash equivalents, the result of an increase in State foundation revenue due to a change in the funding formula and an increase in donations. This increase is also represented in the increase in unrestricted net position. The increase in net capital assets is the result of additions in excess of depreciation expense for fiscal year 2014.

The increase in long-term liabilities is due to obtaining an additional loan in fiscal year 2014 for building improvements.

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Change in Net Position

	2014	2013	Change
Operating Revenues:			
Foundation	$4,716,745	$4,091,919	$624,826
Sales	297,848	228,151	69,697
Tuition and Fees	15,380	17,158	(1,778)
Other Operating Revenues	31,493	54,410	(22,917)
Total Operating Revenues	5,061,466	4,391,638	669,828
Non-Operating Revenues:			
Operating Grants	459,285	425,038	34,247
Contributions and Donations	758,992	613,246	145,746
Interest Revenue	110	300	(190)
Total Non-Operating Revenues	1,218,387	1,038,584	179,803
Total Revenues	6,279,853	5,430,222	849,631
Operating Expenses:			
Salaries	3,040,174	2,746,643	(293,531)
Fringe Benefits	889,623	756,839	(132,784)
Purchased Services	926,664	926,134	(530)
Materials and Supplies	657,624	345,766	(311,858)
Depreciation	114,898	114,899	1
Other Operating Expenses	67,340	58,852	(8,488)
Total Operating Expenses	5,696,323	4,949,133	(747,190)
Non-Operating Expenses			
Interest Expense	188,231	199,864	11,633
Total Expenses	5,884,554	5,148,997	(735,557)
Increase in Net Position	395,299	281,225	114,074
Net Position at Beginning of Year	1,744,514	1,463,289	281,225
Net Position at End of Year	$2,139,813	$1,744,514	$395,299

The 15 percent increase in operating revenues was primarily due to an increase in State foundation revenue resulting from a change in the funding formula. Donations increased from the continuing funding campaign.

The largest portion of the 15 percent increase in operating expenses is related to salaries and benefits for staff. TSA also had increases in operating expenses due to construction related to building improvements.

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 2014, TSA had $4,218,446 invested in capital assets (net of accumulated depreciation). Additions were 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 2014, TSA had outstanding development revenue bonds, in the amount of $3,015,001, and outstanding loans, in the amount of $342,666. Final maturity on the revenue bonds is in fiscal year 2028. For further information regarding TSA's long-term obligations, refer to Note 11 to the basic financial statements.

Current Issues

Bowling Green State University initially adopted the sponsorship contract of TSA for a period of four years, from July 1, 2008, through June 30, 2012. The sponsorship agreement was renewed in the spring of 2012 for an additional five years through June 30, 2017.

The Toledo Community Foundation houses an endowment fund for the Toledo School for the Arts. Established in July 2008, the purpose of this endowment is to provide funding for programs which would not otherwise be available through federal, state, or local sources. The balance of the endowment on June 30, 2014, was $113,302.

As a leader in arts-based learning, TSA has undertaken a major campaign entitled Technology, Arts, and Industry (TAI). This campaign immediately touched every student at TSA. In August 2013, we moved from traditional textbook instruction to one-to-one digital devices (iPads) and plan to expand our use of other forms of digital technology in our classrooms. This campaign has also connected our students to the arts industries around us through developing expanded course offerings in scenic design and construction, recording technology, costume and fashion design, film/video, glass, screen printing, and business fundamentals. These courses will prepare students to pursue jobs throughout the arts and entertainment industry. To accommodate these new course offerings, additional space was acquired in the spring of 2013 within our existing location. The success of the TAI Campaign in its first year allowed completion of Phase I of the remodel of this new space during the summer of 2014. Classroom spaces were built to accommodate the expanded course offerings. As the campaign continues, further enhancements to the classrooms and programs will be made to allow students to gain real world knowledge in the workings of the arts and entertainment industry.

Additionally during the summer of 2014, a necessary replacement of the building's HVAC system was completed. This replacement was made possible through funding by the Toledo Lucas County Port Authority's Better Buildings Program. New boilers and ductwork were installed to increase efficiency of the units, create better temperature controls for the comfort of students and staff, and create savings in heating and cooling costs.

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 Position
June 30, 2014

Current Assets	
Cash and Cash Equivalents	$1,184,382
Accounts Receivable	3,503
Intergovernmental Receivable	78,966
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	14,017
Pledges Receivable	130,595
Total Current Assets	1,411,463
Non-Current Assets	
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	375,000
Pledges Receivable	103,595
Non-Depreciable Capital Assets	412,666
Depreciable Capital Assets, Net	3,805,780
Total Non-Current Assets	4,697,041
Total Assets	6,108,504
Current Liabilities	
Accounts Payable	1,530
Accrued Wages and Benefits Payable	407,374
Intergovernmental Payable	91,505
Accrued Interest Payable	14,517
Development Revenue Bonds Payable	125,833
Total Current Liabilities	640,759
Non-Current Liabilities	
Loans Payable	342,666
Development Revenue Bonds Payable	2,889,168
Total Non-Current Liabilities	3,231,834
Total Liabilities	3,872,593
Deferred Inflows of Resources	
Unavailable Revenue	96,098
Net Position	
Net Investment in Capital Assets	1,235,779
Restricted for:	
Current Debt Service	14,017
Future Debt Service	375,000
Unrestricted	515,017
Total Net Position	$2,139,813

See Accompanying Notes to Basic Financial Statements

Toledo School for the Arts
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues	
Foundation	$4,716,745
Sales	297,848
Tuition and Fees	15,380
Other Operating Revenues	31,493
Total Operating Revenues	5,061,466
Operating Expenses	
Salaries	3,040,174
Fringe Benefits	889,623
Purchased Services	926,664
Materials and Supplies	657,624
Depreciation	114,898
Other Operating Expenses	67,340
Total Operating Expenses	5,696,323
Operating Loss	(634,857)
Non-Operating Revenues (Expenses)	
Grants	459,285
Contributions and Donations	758,992
Interest Revenue	110
Interest Expense	(188,231)
Total Non-Operating Revenues (Expenses)	1,030,156
Change in Net Position	395,299
Net Position at Beginning of Year	1,744,514
Net Position at End of Year	$2,139,813

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Foundation	$4,716,745
Cash Received from Sales	297,000
Cash Received from Tuition and Fees	15,380
Cash Received from Other Revenues	42,092
Cash Payments for Salaries	(3,022,360)
Cash Payments for Fringe Benefits	(870,019)
Cash Payments for Goods and Services	(1,585,256)
Cash Payments for Other Expenses	(67,340)
Net Cash Used for Operating Activities	(473,758)
Cash Flows from Non-Capital Financing Activities	
Cash Received from Grants	469,566
Cash Received from Contributions and Donations	739,543
Net Cash Provided by Non-Capital Financing Activities	1,209,109
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Development Revenue Bonds	(120,000)
Interest Paid on Development Revenue Bonds	(188,808)
Principal Paid on Loans	(84,000)
Loans Issued	342,666
Acquisition of Capital Assets	(354,366)
Net Cash Used for Capital and Related Financing Activities	(404,508)
Cash Flows from Investing Activities	
Cash Received from Interest	110
Net Increase in Cash and Cash Equivalents	330,953
Cash and Cash Equivalents at Beginning of Year	1,242,446
Cash and Cash Equivalents at End of Year	$1,573,399

See Accompanying Notes to the Basic Financial Statements

(continued)

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(continued)

Reconciliation of Operating Loss	
to Net Cash Used for Operating Activities	
Operating Loss	($634,857)
Adjustments to Reconcile Operating Loss	
to Net Cash Used for Operating Activities	
Depreciation	114,898
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,905)
Decrease in Intergovernmental Receivable	10,621
Decrease in Accounts Payable	(968)
Increase in Accrued Wages and Benefits Payable	28,449
Increase in Intergovernmental Payable	8,969
Increase in Deferred Outflows of Resources	1,035
Net Cash Used for Operating Activities	($473,758)

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Contributions and Donations	$37,858
Deductions:	
Non-Instructional Services	34,933
Change in Net Position	2,925
Net Position at Beginning of Year	58,137
Net Position at End of Year	$61,062

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Fiduciary Assets and Liablilities
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$59,562	$14,973
Accounts Receivable	1,500	
Total Assets	61,062	
Liabilities:		
Due to Students	0	$14,973
Net Position:		
Held in Trust for Scholarships	$61,062	

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School

Toledo School for the Arts (TSA) is a non-profit 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 non-sectarian 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, 2012. The Sponsor is responsible for evaluating the performance of TSA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

TSA operates under the direction of a twenty member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. It is staffed by eighteen classified employees, fifty-five certified teaching personnel, and nine administrative employees who provide services to six hundred sixty 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. 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 position; a statement of revenues, expenses, and change in net position, 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 position, 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 position and changes in net position. 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.

B. 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 position. The statement of revenues, expenses, and change in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how TSA finances and meets its cash flow needs.

C. 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 non-exchange 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.

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. TSA did not report any deferred outflows of resources for fiscal year 2014.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For TSA, deferred inflows of resources consists of unavailable revenue. For TSA, unavailable revenue consists of registration fees. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses are recognized at the time they are incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

D. 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.

E. Cash and Cash Equivalents

Cash held by TSA is reflected as "Cash and Cash Equivalents" on the statement of net position. 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 2014, 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".

F. 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.

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.

G. Capital Assets

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

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

Description	Useful Lives
Buildings and Building Improvements	15 - 50 years
Furniture, Fixtures, and Equipment	5-40 years
Vehicles	15 years

Note 2 - Summary of Significant Accounting Policies (continued)

H. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use 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 purposes for which both restricted and unrestricted net position is available.

I. 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. TSA also received operating revenues from sales (ticket and store sales) and from various 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.

J. 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 $1,272,934 and the bank balance was $1,516,394 of which $1,002,377 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject TSA to a successful claim by the FDIC.

As of June 30, 2014, 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 40 days. TSA has no policy addressing interest rate risk.

Note 4 - Receivables

Receivables at June 30, 2014, consisted of accounts, inter-governmental, and pledges receivable. Most inter-governmental 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 $103,595, will not be received within one year.

Note 4 - Receivables (continued)

A summary of the principal items of inter-governmental receivables follows:

	Amount
Ohio Arts Council	$6,134
Idea Part-B	932
Title I	67,630
Title II-A	4,270
Total Inter-Governmental Receivables	$78,966

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Non-Depreciable Capital Assets				
Land	$58,300	$0	$0	$58,300
Construction in Progress	0	354,366	0	354,366
Total Non-Depreciable Capital Assets	58,300	354,366	0	412,666
Depreciable Capital Assets				
Buildings and Building Improvements	4,688,465	0	0	4,688,465
Furniture, Fixtures, and Equipment	78,950	0	(37,159)	41,791
Vehicles	10,670	0	0	10,670
Total Depreciable Capital Assets	4,778,085	0	(37,159)	4,740,926
Less Accumulated Depreciation				
Buildings and Building Improvements	(783,441)	(108,121)	0	(891,562)
Furniture, Fixtures, and Equipment	(73,255)	(6,066)	37,159	(42,162)
Vehicles	(711)	(711)	0	(1,422)
Total Accumulated Depreciation	(857,407)	(114,898)	37,159	(935,146)
Depreciable Capital Assets, Net	3,920,678	(114,898)	0	3,805,780
Capital Assets, Net	$3,978,978	$239,468	$0	$4,218,446

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 2014, TSA contracted for the following insurance coverage:

Coverage provided by The Netherlands Insurance Company is as follows:	
Building and Contents	$3,767,641
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
Coverage provided by The Midwestern Indemnity Company is as follows:	
Umbrella Liability	2,000,000

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 - Contractual Commitments

TSA had an outstanding contract for professional services as of June 30, 2014, with Thomas Porter Architects, in the amount of $26,035. They also entered into a contract with GEM for building renovations, in the amount of $852,134.

Note 8 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - TSA participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

Note 8 - Defined Benefit Pension Plans (continued)

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. TSA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

TSA's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were $300,398 and $5,253 for the fiscal year ended June 30, 2014, $276,062 and $11 for the fiscal year ended June 30, 2013, and $254,784 and $5,520 for the fiscal year ended June 30, 2012. For fiscal year 2014, 82 percent has been contributed for both the DBP and CP, with the balance being reported as an inter-governmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was $7,382 made by TSA and $5,800 made by the plan members. In addition, member contributions of $4,128 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - TSA participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Note 8 - Defined Benefit Pension Plans (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and TSA is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. TSA's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was $78,542, $67,468, and $62,886, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an inter-governmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 9 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - TSA participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. TSA's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was $24,079, $21,981, and $20,844, respectively. For fiscal year 2014, 82 percent has been contributed, with the balance being reported as an inter-governmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the Health Care Plan effective July 1, 2014.

Note 9 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - TSA participates in two cost-sharing multiple-employer defined benefit other post-employment 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, Medicare Advantage, 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 obligation 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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 105(e). For fiscal year 2014, .14 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 2014, this amount was $20,250. For fiscal year 2014, TSA paid $5,061 in surcharge.

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, 2014, 2013, and 2012 was $839, $824, and $2,723, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an inter-governmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, this actuarially required allocation was .76 percent of covered payroll. TSA's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was $4,557, $3,811, and $3,714, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an inter-governmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 10 - Other Employee Benefits

TSA provides medical benefits through Paramount, vision benefits through Vision Service Plan, and dental benefits through Delta Dental. The Board pays the entire monthly premium for all full-time employees. Family or spousal coverage is paid by the employee.

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

Note 11 - Long-Term Obligations

Changes in TSA's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Long-Term Obligations					
FY 2008 Development Revenue Bonds - 5.5%	$3,135,001	$0	$120,000	$3,015,001	$125,833
Loans Payable					
FY 2014 Loan - 4.9%	0	342,666	0	342,666	0
FY 2005 Loan - 0%	84,000	0	84,000	0	0
Total Loans Payable	84,000	342,666	84,000	342,666	0
Total Long-Term Obligations	$3,219,001	$342,666	$204,000	$3,357,667	$125,833

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.

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

(continued)

Note 11 - Long-Term Obligations (continued)

Year	May 15 Principal Amount	November 15 Principal Amount
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 2014 Loan - On October 20, 2013, TSA obtained a loan, in the amount of $342,666, from the Toledo Lucas County Port Authority for building acquisition and improvement. TSA may borrow an additional $850,014 for a potential loan value of $1,192,680 which will be determined as construction progresses. The loan was issued for a fourteen year period, with final maturity in fiscal year 2028.

FY 2005 Loan - On July 15, 2004, TSA obtained a loan, in the amount of $150,000, from the Stranahan Foundation 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 one percent will be charged on any outstanding principal balance. TSA fully retired the loan during fiscal year 2014.

The building acquisition and improvement project related to the fiscal year 2014 loan has not been completed. An amortization schedule for the repayment of this loan will not be available until the project is completed and, therefore, is not included in the following schedule.

Principal and interest requirements to retire outstanding long-term obligations, for which amortization schedules are available at June 30, 2014, were as follows:

	Development Revenue Bonds	
Fiscal Year Ending June 30	Principal	Interest
2015	$125,833	$180,866
2016	130,833	173,114
2017	140,833	165,034
2018	150,833	156,348
2019	160,833	147,056
2020-2024	954,168	576,425
2025-2028	1,351,668	227,546
Total	$3,015,001	$1,626,389

Note12 - 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, 2014.

B. Litigation

There are currently no matters in litigation with TSA as 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.

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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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type and fiduciary activities of Toledo School for the Arts, Lucas County, Ohio; (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 29, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to express an opinion on the effectiveness of the School's internal control. Accordingly we have not expressed an opinion on it.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of 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. A *significant deficiency*, is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, non-compliance 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 tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LublinSussman Group LLP

December 29, 2014
Toledo, Ohio

TOLEDO SCHOOL FOR THE ARTS

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 14, 2015

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov