# TOLEDO SCHOOL FOR THE ARTS

## LUCAS COUNTY

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

LublinSussman Group LLP
Certified Public Accountants

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 Lublin Sussman Group LLP, for the audit period July 1, 2012 through June 30, 2013.  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 1, 2014

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# INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

## 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, 2013 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
Terri S. Lee, 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, 2013, 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.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the School adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities.* We did not modify our opinion regarding this matter.

**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 February 24, 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.

Rehmann Robson Sussman Group LLP

February 24, 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, 2013. 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, 2013, TSA's net position increased $281,225, or 19 percent from the prior fiscal year. Revenues increased 8 percent due to an increase in sales, grant resources, and donations. Expenses increased almost 9 percent largely related to staff compensation and benefits. However, revenues continued to be in excess of expenses.

## 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 2013. 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 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 2013 and fiscal year 2012:

Table 1
Net Position

| | 2013 | 2012 | Change |
|---|---|---|---|
| Assets: | | | |
| Current Assets | $1,146,900 | $1,193,237 | ($46,337) |
| Non-Current Assets (excluding capital assets) | 411,753 | 432,702 | (20,949) |
| Capital Assets, Net | 3,978,978 | 3,975,360 | 3,618 |
| Total Assets | 5,537,631 | 5,601,299 | (63,668) |
| Liabilities: | | | |
| Current Liabilities | 683,053 | 707,834 | 24,781 |
| Non-Current Liabilities | 3,015,001 | 3,352,897 | 337,896 |
| Total Liabilities | 3,698,054 | 4,060,731 | 362,677 |
| Deferred Inflows of Resources | 95,063 | 77,279 | (17,784) |

(continued)

Table 1
Net Position
(continued)

| | 2013 | 2012 | Change |
|---|---|---|---|
| Net Position: | | | |
| Net Investment in Capital Assets | $1,134,977 | $771,081 | $363,896 |
| Restricted | 389,576 | 390,200 | (624) |
| Unrestricted | 219,961 | 302,008 | (82,047) |
| Total Net Position | $1,744,514 | $1,463,289 | $281,225 |

Although the overall decrease for assets was not significant, about 1 percent, there was a sizable decrease in non-current assets related to expensing the remainder of debt issuance costs. The decrease in non-current liabilities represents the retirement of debt. The increase in the net investment in capital assets is also the result of the retirement of debt.

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2
Change in Net Position

| | 2013 | 2012 | Change |
|---|---|---|---|
| Operating Revenues: | | | |
| Foundation | $4,091,919 | $4,049,535 | $42,384 |
| Sales | 228,151 | 176,863 | 51,288 |
| Tuition and Fees | 17,158 | 9,518 | 7,640 |
| Other Operating Revenues | 54,410 | 56,780 | (2,370) |
| Total Operating Revenues | 4,391,638 | 4,292,696 | 98,942 |
| Non-Operating Revenues: | | | |
| Operating Grants | 425,038 | 330,054 | 94,984 |
| Contributions and Donations | 613,246 | 396,215 | 217,031 |
| Interest Revenue | 300 | 499 | (199) |
| Total Non-Operating Revenues | 1,038,584 | 726,768 | 311,816 |
| Total Revenues | 5,430,222 | 5,019,464 | 410,758 |
| Operating Expenses: | | | |
| Salaries | 2,746,643 | 2,580,655 | (165,988) |
| Fringe Benefits | 756,839 | 706,470 | (50,369) |
| Purchased Services | 926,134 | 849,361 | (76,773) |
| Materials and Supplies | 345,766 | 317,824 | (27,942) |
| Depreciation | 114,899 | 116,426 | 1,527 |
| Other Operating Expenses | 58,852 | 66,560 | 7,708 |
| Total Operating Expenses | 4,949,133 | 4,637,296 | (311,837) |
| Non-Operating Expenses | | | |
| Interest Expense | 199,864 | 233,330 | 33,466 |
| Total Expenses | 5,148,997 | 4,870,626 | (278,371) |
| Increase in Net Position | 281,225 | 148,838 | 132,387 |
| Net Position at Beginning of Year | 1,463,289 | 1,314,451 | 148,838 |
| Net Position at End of Year | $1,744,514 | $1,463,289 | $281,225 |

There was a modest 2 percent increase in operating revenues and a 14 percent decrease in non-operating revenues. There was an increase in several federal grant programs as well as receiving a grant from the Ohio Arts Council that TDA did not receive in the prior fiscal year. In addition, donations resulting from the funding campaign increased in fiscal year 2013.

The largest portion of the 7 percent increase in operating expenses is related to salaries and benefits for staff.

## 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 2013, TSA had $3,978,978 invested in capital assets (net of accumulated depreciation). Additions were the acquisition of more building space. There were no disposals. For further information regarding TSA's capital assets, refer to Note 6 to the basic financial statements.

## Debt Administration

At the end of fiscal year 2013, TSA had outstanding development revenue bonds, in the amount of $3,135,001, and outstanding loans, in the amount of $84,000. Final maturity on the revenue bonds is in fiscal year 2028 and the loans will be paid off in fiscal year 2014. 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, 2013, was $82,577.

As a leader in arts-based learning, TSA has undertaken a major campaign entitled Technology, Arts, and Industry (TAI). This campaign will immediately touch 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 will also connect 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.

## 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, 2013

| | |
|---|---|
| Current Assets | |
| Cash and Cash Equivalents | $852,870 |
| Accounts Receivable | 22,589 |
| Intergovernmental Receivable | 99,868 |
| Restricted Assets: | |
| Cash and Cash Equivalents with Fiscal Agent | 14,573 |
| Pledges Receivable | 157,000 |
| Total Current Assets | 1,146,900 |
| Non-Current Assets | |
| Restricted Assets: | |
| Cash and Cash Equivalents with Fiscal Agent | 375,003 |
| Pledges Receivable | 36,750 |
| Nondepreciable Capital Assets | 58,300 |
| Depreciable Capital Assets, Net | 3,920,678 |
| Total Non-Current Assets | 4,390,731 |
| Total Assets | 5,537,631 |
| Current Liabilities | |
| Accounts Payable | 2,498 |
| Accrued Wages and Benefits Payable | 378,925 |
| Intergovernmental Payable | 82,536 |
| Accrued Interest Payable | 15,094 |
| Development Revenue Bonds Payable | 120,000 |
| Loans Payable | 84,000 |
| Total Current Liabilities | 683,053 |
| Non-Current Liabilities | |
| Development Revenue Bonds Payable | 3,015,001 |
| Total Liabilities | 3,698,054 |
| Deferred Inflows of Resources | |
| Unavailable Revenue | 95,063 |
| Net Position | |
| Net Investment in Capital Assets | 1,134,977 |
| Restricted for: | |
| Current Debt Service | 14,573 |
| Future Debt Service | 375,003 |
| Unrestricted | 219,961 |
| Total Net Position | $1,744,514 |

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, 2013

| | |
|---|---|
| Operating Revenues | |
| Foundation | $4,091,919 |
| Sales | 228,151 |
| Tuition and Fees | 17,158 |
| Other Operating Revenues | 54,410 |
| Total Operating Revenues | 4,391,638 |
| | |
| Operating Expenses | |
| Salaries | 2,746,643 |
| Fringe Benefits | 756,839 |
| Purchased Services | 926,134 |
| Materials and Supplies | 345,766 |
| Depreciation | 114,899 |
| Other Operating Expenses | 58,852 |
| Total Operating Expenses | 4,949,133 |
| | |
| Operating Loss | (557,495) |
| | |
| Non-Operating Revenues (Expenses) | |
| Grants | 425,038 |
| Contributions and Donations | 613,246 |
| Interest Revenue | 300 |
| Interest Expense | (199,864) |
| Total Non-Operating Revenues (Expenses) | 838,720 |
| | |
| Change in Net Position | 281,225 |
| | |
| Net Position at Beginning of Year, As Previously Reported | 1,615,252 |
| Change in Accounting Principle (Note 3) | (151,963) |
| Net Position at Beginning of Year, As Restated | 1,463,289 |
| Net Position at End of Year | $1,744,514 |

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

| | |
|---|---|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Foundation | $4,087,225 |
| Cash Received from Sales | 251,197 |
| Cash Received from Tuition and Fees | 17,158 |
| Cash Received from Other Revenues | 11,549 |
| Cash Payments for Salaries | (2,721,117) |
| Cash Payments for Fringe Benefits | (752,632) |
| Cash Payments for Goods and Services | (1,270,502) |
| Cash Payments for Other Expenses | (60,077) |
| Net Cash Used for Operating Activities | (437,199) |
| Cash Flows from Noncapital Financing Activities | |
| Cash Received from Grants | 421,143 |
| Cash Received from Contributions and Donations | 579,592 |
| Net Cash Provided from Noncapital Financing Activities | 1,000,735 |
| Cash Flows from Capital and Related Financing Activities | |
| Principal Paid on Development Revenue Bonds | (133,333) |
| Interest Paid on Development Revenue Bonds | (196,593) |
| Principal Paid on Loans | (226,945) |
| Interest Paid on Loans | (3,576) |
| Acquisition of Capital Assets | (118,517) |
| Net Cash Used for Capital and Related Financing Activities | (678,964) |
| Cash Flows from Investing Activities | |
| Cash Received from Interest | 300 |
| Net Decrease in Cash and Cash Equivalents | (115,128) |
| Cash and Cash Equivalents at Beginning of Year | 1,357,574 |
| Cash and Cash Equivalents at End of Year | $1,242,446 |

(continued)

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013
(continued)

| | |
|---|---|
| Reconciliation of Operating Loss<br>to Net Cash Used for Operating Activities | |
| Operating Loss | ($557,495) |
| | |
| Adjustments to Reconcile Operating Loss<br>to Net Cash Used for Operating Activities | |
| Depreciation | 114,899 |
| Changes in Assets and Liabilities: | |
| Decrease in Accounts Receivable | 328 |
| Increase in Intergovernmental Receivable | (10,621) |
| Increase in Accounts Payable | 1,293 |
| Increase in Accrued Wages and Benefits Payable | 28,576 |
| Increase in Intergovernmental Payable | 37 |
| Decrease in Security Deposit | (32,000) |
| Increase in Deferred Outflows of Resources | 17,784 |
| Net Cash Used for Operating Activities | ($437,199) |

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Fiduciary Assets and Liablilities
Fiduciary Funds
June 30, 2013

| | Private Purpose Trust | Agency |
|---|---|---|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | $58,137 | $18,673 |
| Liabilities: | | |
| Due to Students | 0 | $18,673 |
| Net Position: | | |
| Held in Trust for Scholarships | $58,137 | |

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, 2013

| | Private Purpose Trust |
|---|---|
| Additions: | |
| Contributions and Donations | $51,351 |
| Deductions: | |
| Non-Instructional Services | 34,050 |
| Change in Net Position | 17,301 |
| Net Position at Beginning of Year | 40,836 |
| Net Position at End of Year | $58,137 |

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, 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 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 eighteen classified employees, forty-nine certified teaching personnel, and eight administrative employees who provide services to five hundred seventy-one 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.

**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 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.

**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.

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/expenditure) until that time. TSA did not report any deferred outflows of resources for fiscal year 2013.

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)

**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 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 2013, 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".

**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.

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. 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 | 5-40 years |
| Vehicles | 15 years |

**Note 2 - Summary of Significant Accounting Policies** (continued)

## I. Net Position

Net position represents the difference between all other elements on the statement of net 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.

## J. 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 tuition and 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.

## K. 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 - Change in Accounting Principles

For fiscal year 2013, TSA has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to TSA's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the TSA's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the TSA's financial statements.

**Note 3 - Change in Accounting Principles** (continued)

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in TSA's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in TSA's fiscal year 2013 financial statements and resulted in a decrease of $151,963 to beginning net position as previously reported.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to TSA's financial statements.

**Note 4 - Deposits and Investments**

At fiscal year end, the carrying amount of TSA's deposits was $944,253 and the bank balance was $1,071,146 of which $806,573 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, noncompliance with federal requirements could potentially subject TSA to a successful claim by the FDIC.

As of June 30, 2013, TSA's investments consisted of mutual funds, in the amount of $375,003. 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 5 - Receivables**

Receivables at June 30, 2013, consisted of accounts, intergovernmental, and pledges receivable. Most intergovernmental 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 $36,750, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|---|---|
| Bureau of Workers' Compensation | $6,649 |
| Owens Community College | 3,672 |
| University of Toledo | 300 |
| Clean Ohio | 6,134 |
| Entry Year | 1,050 |
| Idea Part-B | 31,837 |
| Title I | 39,688 |
| Title II-A | 10,538 |
| Total Intergovernmental Receivables | $99,868 |

## Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| | Balance at 6/30/12 | Additions | Reductions | Balance at 6/30/13 |
|---|---|---|---|---|
| Nondepreciable Capital Assets | | | | |
| Land | $58,300 | $0 | $0 | $58,300 |
| Depreciable Capital Assets | | | | |
| Buildings and Building Improvements | 4,569,948 | 118,517 | 0 | 4,688,465 |
| Furniture, Fixtures, and Equipment | 78,950 | 0 | 0 | 78,950 |
| Vehicles | 10,670 | 0 | 0 | 10,670 |
| Total Depreciable Capital Assets | 4,659,568 | 118,517 | 0 | 4,778,085 |
| Less Accumulated Depreciation | | | | |
| Buildings and Building Improvements | (675,320) | (108,121) | 0 | (783,441) |
| Furniture, Fixtures, and Equipment | (67,188) | (6,067) | 0 | (73,255) |
| Vehicles | 0 | (711) | 0 | (711) |
| Total Accumulated Depreciation | (742,508) | (114,899) | 0 | (857,407) |
| Depreciable Capital Assets, Net | 3,917,060 | 3,618 | 0 | 3,920,678 |
| Capital Assets, Net | $3,975,360 | $3,618 | $0 | $3,978,978 |

## Note 7 - Risk Management

TSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, TSA contracted for the following insurance coverage:

| | |
|---|---|
| Coverage provided by The Netherlands Insurance Company is as follows: | |
| Building and Contents | $3,657,904 |
| 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 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.

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 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. TSA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

TSA's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were $276,062 and $11 for the fiscal year ended June 30, 2013, $254,784 and $5,520 for the fiscal year ended June 30, 2012, and $$255,814 and $5,495 for the fiscal year ended June 30, 2011. For fiscal year 2013, 84 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was $9,679 made by TSA and $6,914 made by the plan members. In addition, member contributions of $8 were made for fiscal year 2013 for the defined contribution portion of the CP.

**Note 8 - Defined Benefit Pension Plans** (continued)

**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.

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, 2013, 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, 2013, 2012, and 2011 was $67,468, $62,886, and $49,908, respectively. For fiscal year 2013, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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 postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. TSA's contribution for health care for the fiscal years ended June 30, 2013, 2012 and 2011 was $21,981, $20,844 and $20,891, respectively. For fiscal year 2013, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Note 9 - Postemployment Benefits** (continued)

**B. School Employees Retirement System**

Plan Description - TSA participates in two cost-sharing multiple-employer defined benefit other postemployment 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 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was $20,525. For fiscal year 2013, TSA paid $9,728 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, 2013, 2012 and 2011 was $824, $2,723 and $6,043, respectively. For fiscal year 2013, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. TSA's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 was $3,811, $3,714 and $3,212, respectively. For fiscal year 2013, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Note 10 - Other Employee Benefits**

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

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

**Note 11 - Long-Term Obligations**

Changes in TSA's long-term obligations during fiscal year 2013 were as follows:

| | Balance at 6/30/12 | Additions | Reductions | Balance at 6/30/13 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Long-Term Obligations | | | | | |
| FY 2008 Development Revenue Bonds - 5.5% | $3,268,334 | $0 | $133,333 | $3,135,001 | $120,000 |
| Loans Payable | | | | | |
| FY 2008 Loan - 7.25% | 193,945 | 0 | 193,945 | 0 | 0 |
| FY 2005 Loan - 0% | 117,000 | 0 | 33,000 | 84,000 | 84,000 |
| Total Loans Payable | 310,945 | 0 | 226,945 | 84,000 | 84,000 |
| Total Long-Term Obligations | $3,579,279 | $0 | $360,278 | $3,219,001 | $204,000 |

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 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. This loan was fully retired during fiscal year 2013.

FY 05 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 1 percent will be charged on any outstanding principal balance. TSA anticipates retiring the remaining balance in fiscal year 2014.

Principal and interest requirements to retire outstanding long-term obligations at June 30, 2013, were as follows:

| | Development Revenue Bonds | |
|---|---|---|
| Fiscal Year Ending June 30, | Principal | Interest |
| 2014 | $120,000 | $188,163 |
| 2015 | 125,833 | 180,866 |
| 2016 | 130,833 | 173,114 |
| 2017 | 140,833 | 165,034 |
| 2018 | 150,833 | 156,348 |
| 2019-2023 | 899,167 | 631,356 |
| 2024-2028 | 1,567,502 | 319,671 |
| Total | $3,135,001 | $1,814,552 |

| | FY 05 Loan | |
|---|---|---|
| Fiscal Year Ending June 30, | Principal | Interest |
| 2014 | $84,000 | $0 |

**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 on a month to month basis. Lease payments were $400 for fiscal year 2013. At fiscal year-end, all rent owed to the lessor was paid in full.

## Note12 - Operating Lease (Continued)

On July 1, 2011, TSA entered into an operating lease for computer equipment that expires on June 30, 2014. Lease expense was $19,036 during fiscal year 2013. Future minimum lease payments under this lease are $19,036 for fiscal year 2014.

## 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 of the General Fund or other applicable funds. 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, 2013.

### 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. The information for fiscal year 2013 is not yet available.

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## 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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 24, 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.



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

### 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 tests disclosed no instances of noncompliance 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.

Lublin Sussman Group LLP

February 24, 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 8, 2014**