



Mary Taylor, CPA
Auditor of State

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

February 27, 2009

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Tecumseh Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets for governmental activities decreased \$6,979,225 which represents a 9 percent decrease from 2007.
- General revenues accounted for \$27,177,297 in revenue or 83 percent of governmental revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$5,561,572 or 17 percent of governmental revenues of \$32,738,869.
- The School District had \$39,718,094 in governmental expenses; only \$5,561,572 of these expenses was offset by program specific charges for services, grants or contributions. General revenues for governmental activities (primarily taxes and entitlements) of \$27,177,297 also contributed to these programs.
- Among major funds, the General Fund had \$26,289,154 in revenues and other financing sources and \$26,716,682 in expenditures. The General Fund's balance decreased \$427,528 from 2007.
- During fiscal year 2008, the School District completed its new high school building. As the Ohio Classroom Facilities Assistance Programs draws to an end, the cash balance as well as the fund balance continues to decrease. In fiscal year 2008, the fund balance decreased \$4,660,892.

Using this Generally Accepted Accounting Principles Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Tecumseh Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Tecumseh Local School District, the General Fund is the most significant fund. The Classroom Facilities Capital Project Fund is also a major fund of the School District.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities where most of the School District's programs and services are reported including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Classroom Facilities Capital Projects Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007:

**Table 1
Net Assets**

	Governmental Activities	
	2007	2008
Assets		
Current and Other Assets	\$27,804,930	\$21,091,100
Capital Assets	84,342,789	84,068,094
Total Assets	<u>112,147,719</u>	<u>105,159,194</u>
Liabilities		
Long-Term Liabilities	20,790,659	20,950,612
Other Liabilities	12,017,696	13,782,625
Total Liabilities	<u>32,808,355</u>	<u>34,733,237</u>
Net Assets		
Invested in Capital Assets, Net of Debt	63,527,814	64,831,950
Restricted	12,568,940	5,158,776
Unrestricted	3,242,610	435,231
Total Net Assets	<u>\$79,339,364</u>	<u>\$70,425,957</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. Total assets decreased as the Classroom Facilities Assistance Programs continues towards it end. Cash and cash equivalents in the Classroom Facilities fund decreased \$4.6 million. In addition, intergovernmental receivables have decreased \$3 million in the Classroom Facilities capital projects fund. Long-term liabilities increased due to increases in compensated absences.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for governmental activities for fiscal year 2007 and 2008.

Change in Net Assets			
	2007	2008	Percent Change
Revenues			
Program Revenues:			
Charges for Services	\$1,974,336	\$2,408,678	22.00%
Operating Grants and Contributions	2,983,718	3,128,539	4.85%
Capital Grants and Contributions	2,023,495	24,355	-98.80%
Total Program Revenues	<u>6,981,549</u>	<u>5,561,572</u>	-20.34%
General Revenues			
Property Taxes	8,979,640	9,041,127	0.68%
Grants and Entitlements Not Restricted	17,003,332	17,477,003	2.79%
Other	1,655,531	659,167	-60.18%
Total General Revenues	<u>27,638,503</u>	<u>27,177,297</u>	-1.67%
Total Revenues	<u>34,620,052</u>	<u>32,738,869</u>	-5.43%
Program Expenses			
Instruction	16,897,031	17,548,392	3.85%
Support Services:			
Pupils and Instructional Staff	2,980,951	3,260,163	9.37%
Board of Education, Administration, Fiscal and Business	3,404,463	3,811,420	11.95%
Operation and Maintenance of Plant	2,834,694	7,538,243	165.93%
Pupil Transportation	1,368,729	1,564,241	14.28%
Central	181,513	145,157	-20.03%
Operation of Non-Instructional Services	4,774,172	1,492,149	-68.75%
Extracurricular Activities	506,031	581,717	14.96%
Interest and Fiscal Charges	892,630	1,199,997	34.43%
Unallocated Depreciation	1,079,865	2,576,615	138.61%
Total Expenses	<u>34,920,079</u>	<u>39,718,094</u>	13.74%
Decrease in Net Assets	<u>(\$300,027)</u>	<u>(\$6,979,225)</u>	2226.20%

Governmental Activities

For fiscal year 2008, employees received a 3 percent increase in base salaries. In addition, there was approximately 1.7 percent increase in salaries for step increases.

The decrease in capital grants and contributions occurred due to a reduction in classroom facilities assistance program monies from the State.

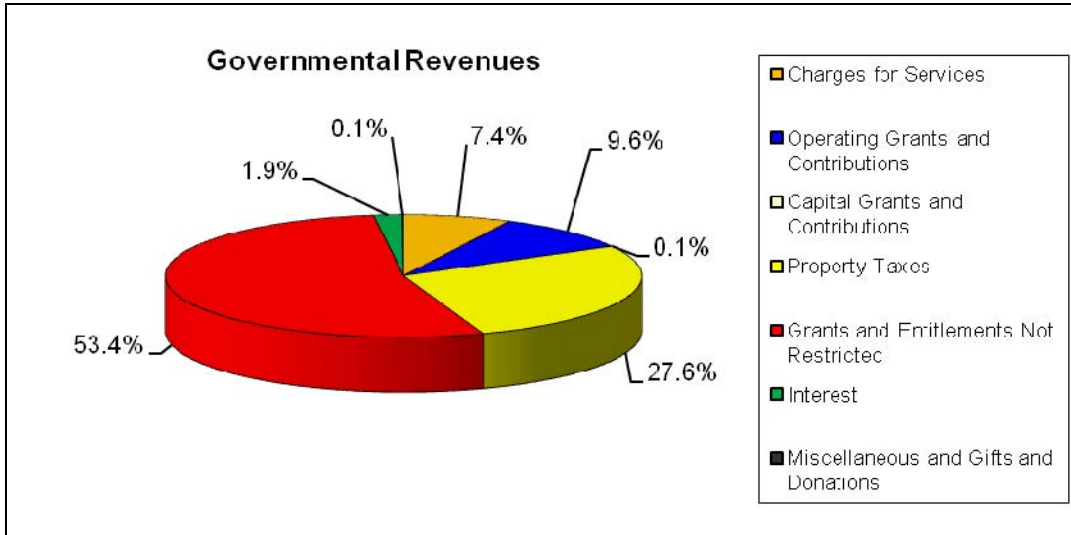
Interest revenue, which is shown above with other, decreased significantly as both the amount of monies invested decreased along with interest rates.

Pupil transportation increased due to higher fuel costs.

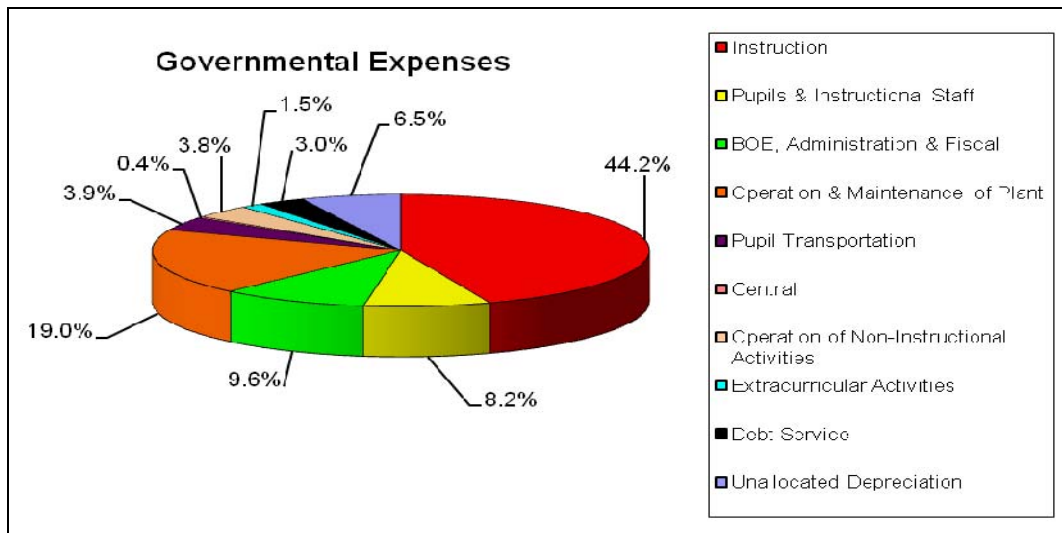
**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The significant increase in unallocated depreciation is the result of depreciation for the first time on the new high school.



The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a levy does not increase solely as a result of inflation. Property taxes made up 27.6 percent of revenues for governmental activities for the Tecumseh Local School District for fiscal year 2008. The last operating levy approved by the voters in the School District occurred in 1995. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 63.7% percent of the School District's total revenue was received from intergovernmental sources during fiscal year 2008.



Instruction comprises 44.2 percent of district expenses. Support services expenses make up 41.1 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Governmental Activities

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Instruction	\$16,897,031	(\$14,907,445)	\$17,548,392	(\$15,088,216)
Support Services:				
Pupils and Instructional Staff	2,980,951	(2,120,602)	3,260,163	(2,535,691)
Board of Education, Administration, Fiscal and Business	3,404,463	(3,019,840)	3,811,420	(3,495,864)
Operation and Maintenance of Plant	2,834,694	(2,828,694)	7,538,243	(7,477,192)
Pupil Transportation	1,368,729	(1,276,543)	1,564,241	(1,506,107)
Central	181,513	(175,802)	145,157	(133,064)
Operation of Non-Instructional Services	4,774,172	(1,392,712)	1,492,149	124,918
Extracurricular Activities	506,031	(244,397)	581,717	(268,694)
Interest and Fiscal Charges	892,630	(892,630)	1,199,997	(1,199,997)
Unallocated Depreciation	1,079,865	(1,079,865)	2,576,615	(2,576,615)
Total Expenses	<u>\$34,920,079</u>	<u>(\$27,938,530)</u>	<u>\$39,718,094</u>	<u>(\$34,156,522)</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities along with after-school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Over 86 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 86 percent. The community along with State revenues, as a whole, is the primary support for the Tecumseh Local School District.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$33,592,774 and expenditures of \$39,175,236. The net change in fund balance for the General Fund was a \$427,528 decrease. In prior year, the net change in fund balance was a decrease of \$328,119. The Classroom Facilities fund balance decreased \$4,660,892 as a result of the drawing to a finish of the Classroom Facilities Assistance Program. The School District completed the new high school during fiscal year 2008.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2008, the School District amended its General Fund budget which resulted in appropriations increasing \$9,447. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$25,739,453. The original budgeted estimate was \$25,720,318. The increase was due to an increase in the property tax estimate.

Capital Assets

At the end of fiscal year 2008, the School District had \$84,068,094 invested in governmental land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2008 balances compared to fiscal year 2007.

**Table 4
Capital Assets (Net of Depreciation) at June 30,**

	2007	2008
Land	\$ 520,022	\$ 520,022
Land Improvements		36,064
Buildings and Improvements	50,573,434	81,503,460
Furniture and Equipment	1,063,478	1,319,553
Vehicles	739,673	688,995
Construction in Progress	31,446,182	
Totals	\$84,342,789	\$84,068,094

Overall capital assets decreased \$274,695 from fiscal year 2007 to fiscal year 2008. The primary increase to capital assets was the completion of the new high school. Depreciation expense exceeded capital asset additions resulting in the decrease. For more information on capital assets, see Note 8 of the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2008, the School District had a five-year renewable tax anticipation note of \$1,075,000 in outstanding debt. The note was issued on March 9, 2005, for permanent improvements to be made to the School District's buildings. The debt will be repaid from proceeds of a tax levy collected by the County Auditor. Principal payments for fiscal year 2008 totaled \$335,000.

In May 2004, general obligation bonds in the amount of \$20.6 million were issued to begin renovating or replacing eight school buildings in conjunction with funding from the Ohio School Facilities Commission. The outstanding debt on the general obligation bonds at fiscal year-end is \$19.2 million. Principal payments totaled \$425,000 with the final payment on the bonds to be made in fiscal year 2032. During fiscal year 2008, the capital appreciation bonds that are part of the \$19.2 million were accreted \$256,169.

For more information on the School District's debt, see Note 14 and 15 of the Basic Financial Statements.

Current Financial Issues and Concerns

Long-range financial projections indicate there is a need for additional operating revenue; therefore, the School District will ask the voters to approve an operating levy in the future. The School District has a three phase cost containment plan; phase I cuts were implemented in fiscal year 2006; phase II cuts were implemented in fiscal year 2007; phase III cuts will be implemented in the near future if the School District is unable to pass a new levy for additional revenue.

There was outstanding support from the local citizens and business community for the bond and maintenance levy in November 2003. The School District and the Ohio School Facilities Commission (Classroom Facilities Assistance Program) entered into an agreement pursuant to Ohio Revised Code Section 3318.30 in January 2004. The Ohio School Facilities Commission agreed to pay 77% of the building project. The building status is as follows: Donnelville Elementary and Medway Elementary are complete and were occupied at the beginning of fiscal year 2007; the new New Carlisle Elementary (formerly known as Westlake Elementary), the Park Layne Elementary and the new Tecumseh Middle School buildings are complete and were occupied in January 2007; Tecumseh High School was completed in fiscal year 2008.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Debra Decker, Treasurer at Tecumseh Local School District, 9760 West National Road, New Carlisle, OH 45344 or email tl_ddecker@mveca.org.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,922,102
Cash and Cash Equivalents in Segregated Accounts	4,500
Accounts Receivable	38,605
Intergovernmental Receivable	786,003
Inventory of Supplies and Materials	151,331
Prepaid Items	4,706
Property and Other Taxes Receivable	10,183,853
Depreciable Capital Assets, Net	83,548,072
Land	520,022
Total Assets	105,159,194
Liabilities:	
Accounts Payable	279,134
Accrued Wages and Benefits Payable	2,684,326
Contracts Payable	182,490
Intergovernmental Payable	820,826
Accrued Interest Payable	71,796
Matured Compensated Absences Payable	74,593
Deferred Revenue	8,244,148
Vacation Leave Payable	50,312
Notes Payable	1,075,000
Early Retirement Incentive	300,000
Long Term Liabilities:	
Due Within One Year	558,518
Due In More Than One Year	20,392,094
Total Liabilities	34,733,237
Net Assets:	
Invested in Capital Assets, Net of Related Debt	64,831,950
Restricted for:	
Debt Service	843,613
Capital Projects	2,607,136
Other Purposes	1,625,481
Set-asides	80,264
Non-expendable	2,282
Unrestricted	435,231
Total Net Assets	\$70,425,957

See accompanying notes to the basic financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes In Net Assets</u>
					<u>Total Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$13,003,828	\$1,110,400	\$454,356		(\$11,439,072)
Special	3,220,501	54,392	676,428		(2,489,681)
Vocational	555,213	13,422	93,927		(447,864)
Other	768,850		57,251		(711,599)
Support Services:					
Pupils	1,949,614		487,679		(1,461,935)
Instructional Staff	1,310,549	8,663	228,130		(1,073,756)
Board of Education	102,638				(102,638)
Administration	3,036,571	676	314,880		(2,721,015)
Fiscal	582,043				(582,043)
Business	90,168				(90,168)
Operation and Maintenance of Plant	7,538,243	41,896	19,155		(7,477,192)
Pupil Transportation	1,564,241		33,779	\$24,355	(1,506,107)
Central	145,157		12,093		(133,064)
Operation of Non-Instructional Services	1,492,149	877,877	739,190		124,918
Extracurricular Activities	581,717	301,352	11,671		(268,694)
Interest and Fiscal Charges	1,199,997				(1,199,997)
Depreciation - Unallocated	2,576,615				(2,576,615)
Total	<u>\$39,718,094</u>	<u>\$2,408,678</u>	<u>\$3,128,539</u>	<u>\$24,355</u>	<u>(34,156,522)</u>
General Revenues:					
Property Taxes Levied for:					
					7,442,612
					423,860
					1,062,327
					112,328
					17,477,003
					130
					634,895
					24,142
					<u>27,177,297</u>
					(6,979,225)
					<u>77,405,182</u>
					<u>\$70,425,957</u>

See accompanying notes to the basic financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,058,630	\$3,019,949	\$2,763,259	\$9,841,838
Cash and Cash Equivalents in Segregated Accounts			4,500	4,500
Receivables:				
Property and Other Taxes	8,098,707		2,085,146	10,183,853
Accounts	38,605			38,605
Intergovernmental	30,772	197,725	557,506	786,003
Inventory of Supplies and Materials	146,673		4,658	151,331
Prepaid Items	4,706			4,706
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	80,264			80,264
Total Assets	<u>12,458,357</u>	<u>3,217,674</u>	<u>5,415,069</u>	<u>21,091,100</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	148,508		130,626	279,134
Contracts Payable		182,490		182,490
Matured Compensated Absences Payable	74,593			74,593
Accrued Wages and Benefits Payable	2,430,016		254,310	2,684,326
Intergovernmental Payable	730,116		90,710	820,826
Deferred Revenue	6,930,876	174,531	2,089,687	9,195,094
Early Retirement Incentive Payable	300,000			300,000
Accrued Interest Payable			3,136	3,136
Notes Payable		1,023,497	51,503	1,075,000
Total Liabilities	<u>10,614,109</u>	<u>1,380,518</u>	<u>2,619,972</u>	<u>14,614,599</u>
Fund Balances:				
Reserved for Encumbrances	408,098	487,509	394,469	1,290,076
Reserved for Property Taxes	1,167,831		280,348	1,448,179
Reserved for Budget Stabilization	80,264			80,264
Unreserved, Undesignated, Reported in:				
General Fund	188,055			188,055
Special Revenue Funds			1,301,088	1,301,088
Debt Service Funds			661,797	661,797
Capital Projects Funds		1,349,647	155,113	1,504,760
Permanent Funds			2,282	2,282
Total Fund Balances	<u>1,844,248</u>	<u>1,837,156</u>	<u>2,795,097</u>	<u>6,476,501</u>
Total Liabilities and Fund Balances	<u>\$12,458,357</u>	<u>\$3,217,674</u>	<u>\$5,415,069</u>	<u>\$21,091,100</u>

See accompanying notes to the basic financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total Governmental Fund Balances	\$6,476,501
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$520,022	
Land Improvements	38,366	
Building and Improvements	85,312,503	
Furniture and Equipment	2,388,361	
Vehicles	2,050,054	
Accumulated Depreciation	<u>(6,241,212)</u>	84,068,094
Total Capital Assets		

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property Taxes Receivable	491,466	
Accounts Receivable		
Intergovernmental Receivable	<u>459,480</u>	950,946

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable	(19,236,144)	
Accrued Interest Payable	(68,660)	
Vacation Leave Payable	(50,312)	
Compensated Absences Payable	<u>(1,714,468)</u>	<u>(21,069,584)</u>

Net Assets of Governmental Activities	<u><u>\$70,425,957</u></u>
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See accompanying notes to the basic financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Taxes	\$7,480,722		\$1,612,793	\$9,093,515
Tuition and Fees	1,242,018			1,242,018
Interest	256,633	\$348,047	35,941	640,621
Intergovernmental	17,232,537	1,007,327	3,172,644	21,412,508
Extracurricular Activities			244,151	244,151
Charges for Services	676		869,894	870,570
Gifts and Donations	130		30,933	31,063
Rent	24,143			24,143
Miscellaneous	24,142		10,043	34,185
Total Revenues	<u>26,261,001</u>	<u>1,355,374</u>	<u>5,976,399</u>	<u>33,592,774</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,041,365	234,627	523,986	12,799,978
Special	2,580,486		626,428	3,206,914
Vocational	522,131		4,000	526,131
Other	717,749		54,976	772,725
Support Services:				
Pupils	1,445,023		474,709	1,919,732
Instructional Staff	1,085,670		220,722	1,306,392
Board of Education	100,981		1,657	102,638
Administration	2,466,134	143,852	311,091	2,921,077
Fiscal	536,218		38,054	574,272
Business	90,168			90,168
Operation and Maintenance of Plant	3,349,725	11,410	183,553	3,544,688
Pupil Transportation	1,283,458		160,486	1,443,944
Central	129,668		15,489	145,157
Operation of Non-Instructional Services	133	1,631	1,489,284	1,491,048
Extracurricular Activities	360,685		219,401	580,086
Capital Outlay	7,088	5,624,746	818,374	6,450,208
Debt Service:				
Principal Retirement			425,000	425,000
Interest and Fiscal Charges			875,168	875,168
Total Expenditures	<u>26,716,682</u>	<u>6,016,266</u>	<u>6,442,378</u>	<u>39,175,326</u>
Excess of Revenues Under Expenditures	<u>(455,681)</u>	<u>(4,660,892)</u>	<u>(465,979)</u>	<u>(5,582,552)</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	10,400		452	10,852
Insurance Recoveries	17,753			17,753
Other Financing Sources	<u>28,153</u>		<u>452</u>	<u>28,605</u>
Net Change in Fund Balances	(427,528)	(4,660,892)	(465,527)	(5,553,947)
Fund Balances at Beginning Of Year - Restated (See Note 20)	<u>2,271,776</u>	<u>6,498,048</u>	<u>3,260,624</u>	<u>12,030,448</u>
Fund Balances at End of Year	<u>\$1,844,248</u>	<u>\$1,837,156</u>	<u>\$2,795,097</u>	<u>\$6,476,501</u>

See accompanying notes to the basic financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds (\$5,553,947)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	\$2,558,937	
Depreciation Expense	<u>(2,751,296)</u>	
Total		(192,359)

The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(82,336)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

General Obligation Bonds	425,000	
Accretion on General Obligation Bonds	<u>(256,169)</u>	
Total		168,831

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

Property Taxes	(52,388)	
Intergovernmental Grants	<u>(819,270)</u>	
		(871,658)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Vacation Leave Payable	(50,312)	
Increase in Compensated Absences	(328,784)	
Increase in Accrued Interest Payable	<u>(68,660)</u>	
Total		<u>(447,756)</u>

Change in Net Assets of Governmental Activities		<u><u>(\$6,979,225)</u></u>
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See accompanying notes to the basic financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$7,057,264	\$7,076,399	\$6,872,031	(\$204,368)
Tuition and Fees	1,342,028	1,342,028	1,232,024	(110,004)
Interest	265,099	265,099	256,095	(9,004)
Intergovernmental	16,999,337	16,999,337	17,212,057	212,720
Charges for Services	833	833	676	(157)
Rent	15,362	15,362	24,143	8,781
Miscellaneous	31,953	31,953	15,329	(16,624)
Total Revenues	<u>25,711,876</u>	<u>25,731,011</u>	<u>25,612,355</u>	<u>(118,656)</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,144,315	11,934,938	11,934,938	
Special	2,094,370	2,476,975	2,476,975	
Vocational	581,007	549,660	549,660	
Other	994,421	727,732	727,732	
Support Services:				
Pupils	1,513,983	1,430,913	1,430,913	
Instructional Staff	1,087,844	1,095,032	1,095,032	
Board of Education	95,850	101,702	101,702	
Administration	2,499,013	2,502,225	2,502,225	
Fiscal	535,121	540,384	540,384	
Business	48,363	111,781	111,781	
Operation and Maintenance of Plant	3,635,907	3,646,893	3,646,893	
Pupil Transportation	1,310,777	1,320,335	1,320,335	
Central	179,469	130,646	130,646	
Operation of Non-Instructional Services	119			
Extracurricular Activities	212,195	360,333	360,333	
Capital Outlay	2,757	9,639	9,639	
Total Expenditures	<u>26,935,511</u>	<u>26,939,188</u>	<u>26,939,188</u>	
Excess of Revenues Under Expenditures	<u>(1,223,635)</u>	<u>(1,208,177)</u>	<u>(1,326,833)</u>	<u>(118,656)</u>
Other Financing Sources (Uses):				
Advance In			90,000	90,000
Proceeds from Sale of Capital Assets			10,400	10,400
Insurance Recoveries	8,442	8,442	17,753	9,311
Refund of Prior Year Expenditure			8,943	8,943
Refund of Prior Year Receipts		(5,770)	(5,770)	
Total Other Financing Sources (Uses)	<u>8,442</u>	<u>2,672</u>	<u>121,326</u>	<u>118,654</u>
Net Change in Fund Balances	(1,215,193)	(1,205,505)	(1,205,507)	(2)
Fund Balance at Beginning of Year	4,375,959	4,375,959	4,375,959	
Prior Year Encumbrances Appropriated	418,404	418,404	418,404	
Fund Balance at End of Year	<u>\$3,579,170</u>	<u>\$3,588,858</u>	<u>\$3,588,856</u>	<u>(\$2)</u>

See accompanying notes to the basic financial statements.

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$90,671</u>
Liabilities:	
Accounts Payable	1,015
Due to Students	<u>89,656</u>
Total Liabilities	<u>\$90,671</u>

See accompanying notes to the basic financial statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tecumseh Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as mandated by State statute and federal guidelines.

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 181 non-certificated employees, 245 certificated full-time teaching personnel who provide services to 3,468 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Tecumseh Local School District, this includes general operations, food service, latchkey, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District participates in seven jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Clark County Family and Children First Council
- Springfield-Clark Career Technology Center
- Tecumseh Education Foundation
- Miami Valley Special Education Regional Resource Center

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Tecumseh Local School District 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. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities - The classroom facilities fund is used to account for the expenses associated with the School District's plan to replace five school buildings and renovate one school building through the Classroom Facilities Assistance Program.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Fund:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's has no funds which are classified as trust funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

1. Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement on net assets. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is 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 the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited in the School District Treasury.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based upon quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

During fiscal year 2008, the School District invested Fifth Third U.S. Treasury Money Market Fund, Freddie Mac Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Discount Notes, Fannie Mae Bond, U.S. Treasury Notes and certificates of deposit.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$256,633, which includes \$150,633 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. 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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside by the School District for the creation of a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

I. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess 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.

All reported capital assets except for 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 years
Buildings and Improvements	30 years
Furniture and Equipment	5-10 years
Vehicles	10 years

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time for administrators because they can use their balance until the end of August and can request a cash payout of up to 10 days.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money previously received through workers' compensation rebates which are required to be set-aside by statute to be spent on specific purposes.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, debt service, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated on the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

O. Estimates

The preparation of the 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.

P. Budgetary Data

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year which matched actual expenditures plus encumbrances at fiscal year-end.

3. FUND DEFICITS

The EMIS, Title I, and Title IIA special revenue funds had deficit fund balances at June 30, 2008, of \$52, \$3,851 and \$1,598, respectively. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur. Management expects the deficits in these funds to be corrected in early fiscal year 2009.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. The change in the fair market value for investments is not included as revenue on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statements.
5. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Change in Fund Balance
	General
GAAP Basis	(\$427,528)
Net Adjustment for Revenue Accruals	(644,009)
Net Adjustment for Expenditure	
Accruals	316,200
Change in Fair Value FY 08	4,306
Advances	90,000
Encumbrances	(544,476)
Budget Basis	(\$1,205,507)

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$8,511,312 and the bank balance was \$8,829,405. \$102,000 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$8,727,405 of the School District's bank balance of \$8,829,405 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

At June 30, 2008, the School District had the following investments:

<u>Investment</u>	<u>Investment Maturity (in Years)</u>		
	<u>Less than 1</u>	<u>1-2</u>	<u>Fair Value</u>
Freddie Mac	\$ 217,786	\$40,511	\$ 258,297
Federal Home Loan Bank	302,669	127,378	430,047
Federal Home Loan Bank Corporation Discount Note	129,469		129,469
Freddie Mac Discount Note	94,485		94,485
Federal National Mortgage Association Discount Note	44,919		44,919
Fannie Mae	266,829	182,216	449,045
Federal National Mortgage Association	45,197		45,197
U.S. Treasury Note	45,271		45,271
Fifth Third U.S. Treasury Money Market Fund	9,231		9,231
	<u>\$1,155,856</u>	<u>\$350,105</u>	<u>\$1,505,961</u>

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The following are the credit ratings for the School District's investments:

<u>Investment</u>	<u>Standard & Poor's Rating</u>
Freddie Mac	AAA
Federal Home Loan Bank	AAA
Federal Home Loan Bank Corporation Discount Note	A-1+
Freddie Mac Discount Note	AAA
Federal National Mortgage Association Discount Note	A-1+
Fannie Mae	AAA
Federal National Mortgage Association	AAA
U.S. Treasury Note	N/A
Fifth Third U.S. Treasury Money Market Fund	AAAm

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. At least 5 percent of the School District's investments are in the following:

<u>Investment</u>	<u>Percent</u>
Freddie Mac	17%
Federal Home Loan Bank	29%
Federal Home Loan Bank Corporation Discount Note	5%
Freddie Mac Discount Note	6%
Fannie Mae	30%

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property for tax year 2008 is assessed at 6.25 percent of true value.

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The amount available as an advance at June 30, 2008, was \$1,167,831 in the general fund, \$280,348 in the other governmental funds. The amount available as an advance at June 30, 2007, was \$1,392,540 in the general fund and \$531,396 in the other governmental funds.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$257,398,370	90.4%	\$278,360,350	94.0%
Public Utility Personal	9,630,050	3.4	8,490,290	2.9
Tangible Personal Property	17,560,470	6.2	9,289,178	3.1
Total	<u>\$284,588,890</u>	<u>100.0%</u>	<u>\$296,139,818</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$45.84		\$45.04	

7. RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, accounts (tuition and student fees) and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables are as follows:

Intergovernmental Receivable	Amounts
Governmental Activities:	
Bus purchase revenue from State	\$8,921
Food service lunch reimbursements	17,539
Food service breakfast reimbursements	5,442
Ohio School Facilities Commission	197,725
State Foundation Adjustments	21,851
Title I - Migrant	112,697
Title VI-B (IDEA)	205,603
LEP III	17,650
Title I	83,246
Title V	3,057
Drug Free School	8,108
Title IIA	32,460
21st Century	24,904
Title IID	6,654
Mathematics Three C's Project	40,146
Total	<u>\$786,003</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for governmental activities the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
Governmental Assets				
Capital Assets, not being depreciated				
Land	\$ 520,022			\$ 520,022
Capital Assets, being depreciated				
Land Improvements		\$ 38,366		38,366
Building and Improvements	55,006,632	33,474,437	(\$ 3,168,566)	85,312,503
Furniture and Equipment	2,003,363	492,316	(107,318)	2,388,361
Vehicles	2,050,054			2,050,054
Construction in Progress	31,446,182		(31,446,182)	
Total Capital Assets, being depreciated	<u>90,506,231</u>	<u>34,005,119</u>	<u>(34,722,066)</u>	<u>89,789,284</u>
Less: Accumulated Depreciation				
Land Improvements		(2,302)		(2,302)
Buildings and Improvements	(4,433,198)	(2,471,559)	3,095,714	(3,809,043)
Furniture and Equipment	(939,885)	(226,757)	97,834	(1,068,808)
Vehicles	(1,310,381)	(50,678)		(1,361,059)
Total Accumulated Depreciation	<u>(6,683,464)</u>	<u>(2,751,296)</u>	<u>3,193,548</u>	<u>(6,241,212)</u>
Total Capital Assets, being depreciated, net	<u>83,822,767</u>	<u>31,253,823</u>	<u>(31,528,518)</u>	<u>83,548,072</u>
Governmental Activities Capital Assets, net	<u>\$84,342,789</u>	<u>\$31,253,823</u>	<u>(\$31,528,518)</u>	<u>\$84,068,094</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$18,332
Vocational	72
Support Services:	
Pupils	2,754
Instructional Staff	684
Administration	8,549
Fiscal	988
Operation and Maintenance of Plant	22,567
Transportation	117,465
Operation of Non-Instructional Services	2,612
Extracurricular Activities	658
Total	<u>174,681</u>
Unallocated Depreciation	<u>2,576,615</u>
Total Depreciation Expense	<u>\$2,751,296</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The School District 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 2008, the School District contracted with Marsh USA, Inc. for property, general liability and automobile insurance.

Coverage provided by Marsh USA, Inc. is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$300,000,000
Inland Marine Coverage (\$2,500 deductible)	50,000,000
Crime Insurance	500,000
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
School Errors & Omissions Liability (\$5,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella Liability	5,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$349,866, \$601,808 and \$538,585 respectively; 42.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 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 (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,808,126, \$1,880,681, and \$1,813,417 respectively; 82.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$17,166 made by the School District and \$21,235 made by the plan members.

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 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 2008, this amount was \$81,772.

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.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$241,427, \$190,807, and \$175,394 respectively; 28.01 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$25,209, \$37,376, and \$33,598 respectively; 42.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$139,087, \$134,334, and \$129,530, respectively; 82.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave must be used by each employee prior to the end of their contract year. They may request to have up to 10 days paid. Unused vacation time, earned within a contract year, is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all personnel. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum thirty-five days for all employees with ten or more years of current service with the School District. Fifteen percent of the remaining accrued but unused sick leave is paid, not to exceed 12 days. Teachers may accumulate unused sick leave beyond the 235 days maximum and unused personal days for a combined total of 315 days. At retirement, 12% of the possible 80 days, not to exceed 9 days, will be paid in severance.

The Board of Education approved an early retirement incentive program. Upon initial eligibility for STRS retirement benefits, the Board agreed to pay a one-time lump of \$1,250 times each year of Tecumseh LSD service, not to exceed \$25,000, provided that such unit member has at least ten years of Tecumseh LSD service, the final five years of which must be consecutive and be in a paid status immediately prior to retirement.

At the end of fiscal year 2008, the School District had 6 employees who had chosen to accept the early retirement incentive. For fiscal year 2007, the School District had 6 employees. They receive the payment 14 months following the effective date of separation. The liability at June 30, 2008, for these 12 employees has been recorded as an early retirement incentive liability in the fund from which the employees' salaries are paid.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through Medical Life Insurance Company. The School District provides health insurance coverage through United Health Care of Ohio, Inc. Each employee share of the total premium was 15 percent of the monthly premium. The premium varies with each employee depending on the terms of the union contract. Dental insurance is provided through CoreSource and vision benefits are provided through Vision Service Plan.

13. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2008, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Amount</u>	<u>Expended</u>	<u>Balance</u>
Apple Computer	\$46,770	\$21,503	\$25,267
Beck Studios	23,339		23,339
Command Roofing	46,265		46,265
Energy USA-TPC	86,045	42,682	43,363
Escrow - SNB	60,527		60,527
Gordon Food Service	34,826	12,584	22,242
Pete Miller, Inc.	499,555	478,493	21,062
Pul-Mac Solutions LLC	148,823		148,823
Quandel-Danis/OSFC	4,753,578	4,480,274	273,304
Slagle Mechanical	52,087	5,832	46,255
Starco, Inc.	1,863,433	1,841,426	22,007
Steed/Hammond/Paul	821,860	735,342	86,518
Studebaker Electric	29,750		29,750
Tom Sexton & Associates	664,172	607,267	56,905
TP Mechanical Contractors	3,589,312	3,540,397	48,915
	<u>\$12,720,342</u>	<u>\$11,765,800</u>	<u>\$954,542</u>

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Amount Outstanding 6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2008</u>	<u>Amount Due in One Year</u>
Governmental Activities					
General Obligation Bonds					
Serial Bonds	\$5,500,000		(\$425,000)	\$5,075,000	\$445,000
Term Bonds	13,495,000			13,495,000	
Capital Appreciation Bonds	409,975			409,975	
Accretion on CABs		\$256,169		256,169	
Total General Obligation Bonds	<u>19,404,975</u>	<u>256,169</u>	<u>(425,000)</u>	<u>19,236,144</u>	<u>445,000</u>
Compensated Absences	1,385,684	466,607	(137,823)	1,714,468	113,518
Total Governmental Activities	<u>\$20,790,659</u>	<u>\$722,776</u>	<u>(\$562,823)</u>	<u>\$20,950,612</u>	<u>\$558,518</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

The School District issued general obligation bonds for the construction and renovation of school buildings. The original amount of the bonds was \$20,614,975. Of the general obligation bonds, \$6,710,000 was serial bonds with interest rates ranging from 2% to 4.2% and mature December 31, 2016. The \$13,495,000 in term bonds has interest rates ranging from 4.625% to 4.75% and mature December 31, 2031. \$409,975 is capital appreciation bonds (maturity amount of \$750,000 on December 1, 2017, \$765,000 on December 1, 2018 and \$775,000 on December 1, 2019). The capital appreciation bonds were accreted \$256,169 in fiscal year 2008.

Compensated absences will be paid from the general fund and the food service, poverty based aid, Title VI-B and Title I special revenue funds.

The School District's debt service requirements at June 30, 2008, were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$445,000	\$818,077	\$1,263,077
2010	470,000	805,421	1,275,421
2011	495,000	790,563	1,285,563
2012	525,000	773,331	1,298,331
2013	555,000	753,738	1,308,738
2014-2018	2,585,000	4,160,380	6,745,380
2018-2023	2,934,975	4,148,991	7,083,966
2024-2028	5,380,000	1,996,901	7,376,901
2029-2032	5,590,000	550,050	6,140,050
Total	<u>\$18,979,975</u>	<u>\$14,797,452</u>	<u>\$33,777,427</u>

The School District's overall legal debt margin was \$8,334,406, the energy conservation debt margin was \$2,665,258 and the un-voted debt margin was \$296,140 at June 30, 2008.

15. SHORT-TERM OBLIGATION

The following is a summary of the note activity for the School District for the year ended June 30, 2008:

	<u>Amount Outstanding 6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2008</u>
Tax Anticipation Note	<u>\$1,410,000</u>	<u>\$0</u>	<u>(\$335,000)</u>	<u>\$1,075,000</u>

On March 9, 2006, the School District issued a five-year tax anticipation note for improvements, renovations and additions to the School District's buildings and to purchase equipment. The note carries a 3.35% interest rate and will be repaid from the proceeds of a tax levy collected by the County Auditor.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene, Madison and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent and the executive director. The School District paid MVECA \$83,701 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, Executive Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2008, the School District paid \$110,305 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2008, the School District made \$3,729 in payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

Clark County Family and Children First Council - The Clark County Family and Children First Council (FCFC) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Tecumseh Local School District did not have any payments to the FCFC during fiscal year 2008. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Robert Suver, who serves as Treasurer, at 1345 Lagonda Avenue, Springfield, Ohio 45505.

Springfield-Clark Career Technology Center - The Springfield-Clark Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Tecumseh Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District.

The School District did not make any financial contributions to the CTC during fiscal year 2008. To obtain financial information, write to the Springfield-Clark Career Technology Center, Pam Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Tecumseh Education Foundation – The Tecumseh Education Foundation (TEF) is a non-profit community organization of business, civic, industry and educational interests whose purpose is to secure and distribute contributions to assist the School District in enabling students to achieve their individual potential. The Board of Trustees is comprised of eleven representatives who are nominated and elected by a majority vote by the present trustees. One member of the Tecumseh Local School District Board is designated annual by the Tecumseh Local School District Board to serve as one of the eleven trustees. Each of the elected trustees serves a three year term, with one-third of the trustees being elected every year. The Superintendent of the School District will serve in an ex officio capacity on a continuing basis. Officers of the TEF are elected annually by the Board of Trustees. The officers of the foundation shall consist of a President, a Vice-President, a Secretary, a Treasurer and other offices as the Board of Trustees may appoint. The President and Vice-President of the Board of Trustees shall be members of the Board of Trustees. The Secretary and Treasurer need not be members of the Board of Trustees,

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

The School District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The School District did not contribute any money to the TEF during fiscal year 2008. During fiscal year 2008, the TEF received an endowment for \$2.4 million that is to be used to provide scholarships to Tecumseh LSD graduates. The money was turned over to the Springfield Foundation to administer the program. To obtain financial information write to the Tecumseh Educational Foundation, Kevin Harmon, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

Miami Valley Special Education Regional Resource Center – The Miami Valley Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-seven member board consisting of the superintendent of the thirty-eight participating school districts with one representative from the University of Dayton. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Joni Shoemaker, Montgomery County Educational Service Center, 200 S. Keowee Street, Dayton, Ohio 45402.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an nine member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

17. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks and Instructional Material	Capital Acquisitions	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2007	(\$ 759,736)		\$80,264
Current Year Set-aside Requirement	518,247	\$ 518,247	
Qualifying Disbursements	(816,103)	(5,161,787)	
Totals	<u>(1,057,592)</u>	<u>(4,643,540)</u>	<u>80,264</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$1,057,592)</u>	<u>\$0</u>	<u>\$80,264</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. SET-ASIDE CALCULATIONS (Continued)

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero. This extra amount of offsets may be used to reduce the set-aside requirements in future fiscal years.

In accordance with legislative requirements, the School District continues to report funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent. As the School District's budget stabilization account is comprised entirely of workers' compensation rebate funds, the entire \$80,264 is maintained on the governmental funds' balance sheet as a reservation of fund balance and restricted "equity in pooled cash and cash equivalents" in the General Fund.

18. INTERFUND TRANSACTIONS

During fiscal year 2008, the non-major special revenue funds returned an advance to the General Fund in the amount of \$90,000. The advance was repaid when grant dollars were received.

19. CONTINGENCIES

Grants

The School District 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 are 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 the School District at June 30, 2008.

20. PRIOR PERIOD ADJUSTMENT

For fiscal year 2008, the School District restated its beginning net assets and fund balance. In prior year, the School District reported an intergovernmental receivable for \$1,934,182 from the Ohio School Facilities Commission in error. This money was received by the School District prior to June 30, 2007. The effect of this adjustment was to reduce net assets \$1,934,182, from \$79,339,364 to \$77,405,182. In addition, the fund balance of the Classroom Facilities fund was reduced \$1,934,182, from \$8,432,230 to \$6,498,048.

21. CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2008, the School District implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement had no effect on fund balances or net assets.

In addition, the School District implemented GASB Statement No. 50, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans." This statement more closely aligns current pension requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employment benefits. The new disclosures required by this statement are included in the notes to the financial statements (See Note 10).

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**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Food Donation	10.550		\$96,205		\$96,205
Nutrition Cluster:					
School Breakfast Program	10.553	\$139,242		\$139,242	
National School Lunch Program	10.555	531,866		531,866	
Total Nutrition Cluster		<u>671,108</u>		<u>671,108</u>	
Total U.S. Department of Agriculture		671,108	96,205	671,108	96,205
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	535,578		507,177	
Migrant Education_State Grant Program	84.011	124,473		132,008	
Special Education Cluster:					
Special Education_Grants to States	84.027	880,886		867,356	
<i>Passed through Clark County Educational Service Center</i>					
Special Education Preschool Grants	84.173	30,797		30,797	
Total Special Education Cluster		<u>911,683</u>		<u>898,153</u>	
<i>Passed through Ohio Department of Education</i>					
Safe and Drug-Free Schools and Communities_State Grants	84.186	4,841		200	
Twenty-First Century Community Learning Centers	84.287	109,741		106,765	
State Grants for Innovative Programs	84.298	5,664		5,781	
Education Technology State Grants	84.318	1,525		2,949	
English Language Acquisition Grants	84.365	28,327		28,095	
Mathematics and Science Partnerships	84.366	64,854		59,248	
Improving Teacher Quality State Grants	84.367	<u>177,417</u>		<u>176,590</u>	
Total U.S. Department of Education		<u>1,964,103</u>		<u>1,916,966</u>	
Total Federal Financial Assistance		<u>\$2,635,211</u>	<u>\$96,205</u>	<u>\$2,588,074</u>	<u>\$96,205</u>

See accompanying notes to the Federal Awards Expenditures Schedule.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

However, we noted a certain internal control matter that we reported to the District's management in a separate letter dated February 27, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 27, 2009



Mary Taylor, CPA

Auditor of State

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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

Compliance

We have audited the compliance of Tecumseh Local School District, Clark County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Tecumseh Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 27, 2009

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A – 133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA's 10.553 and 10.555 – School Breakfast and Lunch Program CFDA 10.550 – Food Donation Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Significant Deficiency ~ financial statement errors as a result of inaccurate year end accruals.	Yes	N/A



Mary Taylor, CPA
Auditor of State

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK 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 7, 2009