

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

JILL WEIDNER, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Directors
Tomorrow Center Community School
145 ½ North Cherry Street
Mount Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of the Tomorrow Center Community School, Morrow County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tomorrow Center Community School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 23, 2008

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TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Directors
Tomorrow Center Community School
145 ½ N. Cherry Street
P.O. Box 239
Mount Gilead, Ohio 43338

We have audited the accompanying financial statements of the Tomorrow Center Community School, Morrow County, Ohio, (a component unit of Mount Gilead Exempted Village School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Tomorrow Center Community School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tomorrow Center Community School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

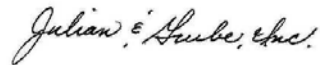
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tomorrow Center Community School, Morrow County, Ohio, as of June 30, 2008, and the changes in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, on our consideration of the Tomorrow Center Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Tomorrow Center Community School
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 15, 2008

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets were \$327,206 at June 30, 2008.
- The Center had operating revenues of \$589,447 and operating expenses of \$637,688 for fiscal year 2008. Operating loss and the change in net assets for the fiscal year were \$(48,241) and \$494, respectively.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center's financial activities. The *statement of net assets* and *statement of revenues, expense and changes in net assets* provide information about the activities of the Center, including all short-term and long-term financial resources and obligations.

Reporting the Center Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2008?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* 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 year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

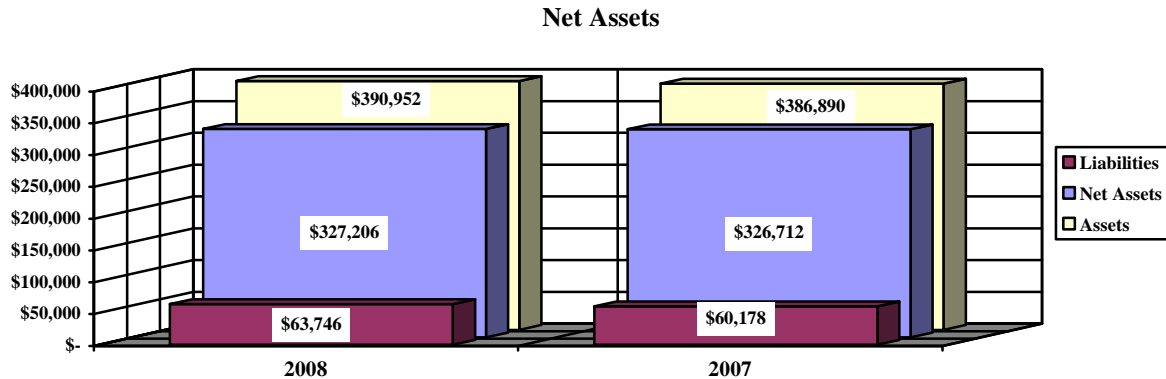
The table below provides a summary of the Center's net assets for 2008 and 2007.

Net Assets		
	2008	2007
<u>Assets</u>		
Current assets	\$ 251,571	\$ 214,558
Capital assets, net	139,381	172,332
Total assets	390,952	386,890
<u>Liabilities</u>		
Liabilities	63,746	60,178
Total liabilities	63,746	60,178
<u>Net Assets</u>		
Invested in capital assets	139,381	172,332
Restricted	1,926	6,728
Unrestricted	185,899	147,652
Total net assets	\$ 327,206	\$ 326,712

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Center's net assets totaled \$327,206, a 0.15% increase from fiscal year 2007.

At year-end, capital assets represented 35.65% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

The graph below shows the District's governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:



TOMORROW CENTER COMMUNITY SCHOOL
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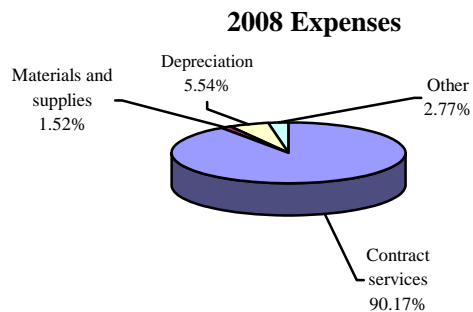
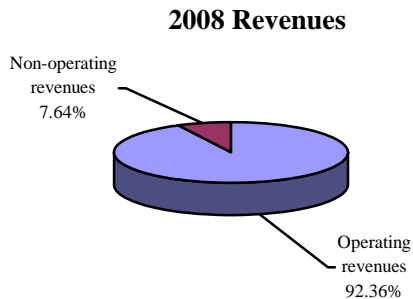
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The table below shows the changes in net assets for fiscal year 2008 and 2007.

Change in Net Assets

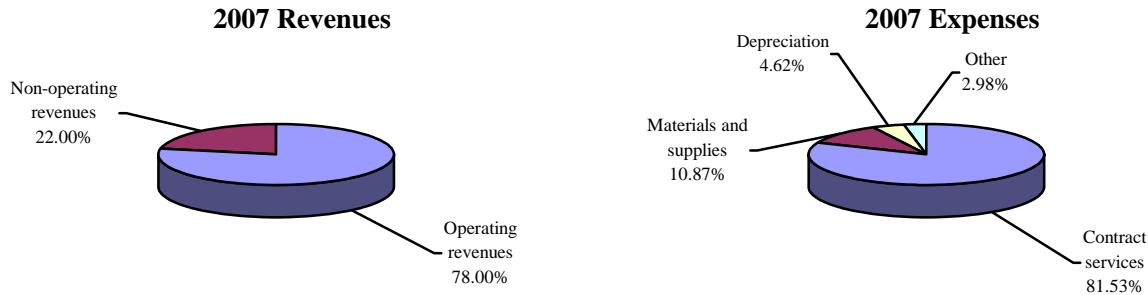
	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
State foundation	\$ 581,353	\$ 503,116
Sales/charges for services	3,588	12,346
Other operating revenues	4,506	-
Total operating revenue	<u>589,447</u>	<u>515,462</u>
<u>Operating Expenses:</u>		
Contract services	574,983	572,542
Materials and supplies	9,691	76,325
Depreciation	35,330	32,456
Other	17,684	20,949
Total operating expenses	<u>637,688</u>	<u>702,272</u>
<u>Non-operating revenues:</u>		
State and federal grants	47,618	144,129
Interest income	1,117	1,278
Total non-operating revenues	<u>48,735</u>	<u>145,407</u>
Change in net assets	494	(41,403)
Net assets at beginning of year	<u>326,712</u>	<u>368,115</u>
Net assets at end of year	<u>\$ 327,206</u>	<u>\$ 326,712</u>

The charts below illustrate the revenues and expenses for the Center during fiscal years 2008 and 2007.



TOMORROW CENTER COMMUNITY SCHOOL
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)



Capital Assets

At June 30, 2008, the Center had \$139,381 invested in furniture and equipment. This is a net decrease of \$32,951, due to depreciation expense of \$35,330 exceeding the additions during the current fiscal year in the amount of \$2,379. See Note 4 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Center is a conversion community school sponsored by the Mt. Gilead Exempted Village School District. The sponsorship was renewed in fiscal year 2006 and runs through 2012.

Like most traditional schools the Center is a labor-intensive endeavor. Unlike traditional schools however, a community school cannot levy any taxes and must survive on state revenues and donations. At this time the Center relies solely on the resources provided through State funding. There are immediate financial concerns in the Center's five-year forecast that could result in budgetary cuts in the immediate future.

The Center is committed to operating within its financial means, and to working with the local community and agencies it serves to provide the required educational programs for these students.

Contacting the Center's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact Jill Weidner, Treasurer, at Tomorrow Center, 145 ½ North Cherry Street, Mount Gilead, OH 43338.

**BASIC
FINANCIAL STATEMENTS**

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:	
Current:	
Equity in pooled cash and cash equivalents.	\$ 247,293
Receivables:	
Intergovernmental	2,476
Prepayments	1,802
Noncurrent:	
Capital assets, net	139,381
	390,952
 Total assets.	 <u>390,952</u>
 Current Liabilities:	
Due to primary government	62,716
Accounts payable	1,006
Intergovernmental payable.	24
	63,746
 Total liabilities	 <u>63,746</u>
 Net Assets:	
Invested in capital assets	139,381
Restricted for:	
State funded programs.	97
Federally funded programs.	1,829
Unrestricted	185,899
	327,206
 Total net assets	 <u>\$ 327,206</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating revenues:	
State foundation	\$ 581,353
Sales/charges for services	3,588
Other operating revenues	4,506
	4,506
Total operating revenues	589,447
Operating expenses:	
Contract services	574,983
Materials and supplies	9,691
Depreciation	35,330
Other	17,684
	17,684
Total operating expenses	637,688
Operating loss	(48,241)
Nonoperating revenues:	
Interest revenue	1,117
State and federal grants	47,618
	47,618
Total nonoperating revenues	48,735
Change in net assets	494
Net assets at beginning of year	326,712
Net assets at end of year	\$ 327,206

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:	
Cash received from state foundation	\$ 581,377
Cash received from sales/charges for services.	1,112
Cash received from other operations.	13,352
Cash payments for contractual services	(571,648)
Cash payments for materials and supplies	(9,482)
Cash payments for other expenses	(17,642)
	<hr/>
Net cash used in operating activities	(2,931)
	<hr/>
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	47,618
	<hr/>
Net cash provided by noncapital financing activities.	47,618
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,379)
	<hr/>
Net cash used in capital and related financing activities.	(2,379)
	<hr/>
Cash flows from investing activities:	
Interest received	1,117
	<hr/>
Net cash provided by investing activities	1,117
	<hr/>
Net increase in cash and cash equivalents	43,425
Cash and cash equivalents at beginning of year . . .	203,868
Cash and cash equivalents at end of year	\$ 247,293
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (48,241)
Adjustments:	
Depreciation.	35,330
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	6,370
Decrease in prepayments.	42
(Decrease) in intergovernmental payable.	(9,480)
Increase in due to primary government	12,042
Increase in accounts payable.	1,006
	<hr/>
Net cash used in operating activities	\$ (2,931)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

NOTE 1 - DESCRIPTION OF THE SCHOOL

Tomorrow Center Community School (the "Center") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Center's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, that includes therapeutic opportunities which can be delivered to students in the grades 3 through 12. The Center is a public school that provides an alternative to the traditional educational setting. The Center serves a student population who are identified as at risk due to drug and/or alcohol involvement, severe emotional disturbance, multiple disabilities, partial hospitalization, or as an alternative to suspension/expulsion. The Center, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Center may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on April 23, 2002. The Center was approved for operation under a contract with the Mount Gilead Exempted Village School District (the "Sponsor") for a five year period commencing July 1, 2006. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration.

The Center operates under the direction of a seven-member Board of Directors. The Center Board of Directors is appointed by the following agencies on a pro-rated basis. Mt. Gilead Exempted Village School District Board of Education (2) representatives, if a Mount Gilead Exempted Village School Board Member is appointed said member(s) will serve as a non-voting ex officio member(s), Mount Gilead Exempted Village School District (2) representatives, Mid-Ohio Educational Service Center (1) representative, Morrow County Job and Family Services (1) representative, Central Ohio Mental Health Center (1) representative, Morrow County Council of Alcohol and Drugs or any successor agency. The Sponsor's treasurer shall be a non-voting ex officio member of the conversion school's Board of Directors. Directors will each serve a two year term. A resignation or vacancy on the Board of Directors will be appointed for the remaining term by the agency that has representation. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Center is a component unit of Mount Gilead Exempted Village School District.

The Center has developed a cooperative arrangement with the Sponsor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Center has utilized existing programs within the existing structure of the Mount Gilead Exempted Village School District.

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

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

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Center also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Center has elected not to apply FASB Statement and Interpretations issued after November 30, 1989. The Center's significant accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

D. Cash

All monies received by the Center are deposited in a demand deposit account.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Center maintains a capitalization threshold of \$500 for nontechnical and audio/visual equipment and \$200 for technical and audiovisual equipment. The Center does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

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

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to fifteen years.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets consist of federal and state funded programs.

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

I. Intergovernmental Revenue

The Center currently participates in the State Foundation Program, the Federal Charter School Grant Program through the Ohio Department of Education, the State Community School Grant, the Electronic Management Information System Grant and the Ohio School Net Professional Development Grant, Title VI, Title V and Drug Free Schools grants. Revenues received from these programs are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

J. Estimates

The preparation of financial statements in conformity with GAAP 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.

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2008, the carrying amount of all Center deposits was \$247,293. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$100,000 of the School’s bank balance of \$253,778 was covered by the Federal Deposit Insurance Corporation, while \$153,778 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Center’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

NOTE 4 - CAPITAL ASSETS

A summary of capital assets at June 30, 2008 follows:

	<u>Balance</u>		<u>Balance</u>
	<u>6/30/07</u>	<u>Additions</u>	<u>6/30/08</u>
Furniture and equipment	\$ 259,570	\$ 2,379	\$ 261,949
Less: accumulated depreciation	<u>(87,238)</u>	<u>(35,330)</u>	<u>(122,568)</u>
Net capital assets	<u>\$ 172,332</u>	<u>\$ (32,951)</u>	<u>\$ 139,381</u>

NOTE 5 - CONTRACT SERVICES

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Purchased instructional services	\$ 290,956
Purchased administrative services	131,552
Utility expenses	46,730
Other purchased services	<u>105,745</u>
Total	<u>\$ 574,983</u>

The above transactions are related party transactions since these services are purchased through the Sponsor, Mount Gilead Exempted Village School District as described in Note 8.

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

NOTE 6 - RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the Center has obtained liability insurance from Indiana Insurance Company. A summary of the Center's insurance coverage follows:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$1,000,000	\$ 0
Annual aggregate	2,000,000	0
Commercial umbrella:		
Each occurrence	1,000,000	0
Annual aggregate	1,000,000	0
Employee benefits liability:		
Each occurrence	1,000,000	3,000
Annual aggregate	3,000,000	3,000
Ohio employer's liability:		
Each occurrence	1,000,000	0
Annual aggregate	2,000,000	0
School leader's errors and omissions:		
Each occurrence	1,000,000	1,000
Annual aggregate	1,000,000	1,000
School law enforcement liability:		
Each occurrence	500,000	2,500
Annual aggregate	500,000	2,500
Property	28,647,325	2,500

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2007.

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

NOTE 7 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2008. Management is unaware of any material pending claims that may affect the fiscal 2009 school year.

B. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the Center cannot presently be determined.

The Center is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Center owes \$24 to the Ohio Department of Education which is reflected on the basic financial statements as an intergovernmental payable.

NOTE 8 - SERVICE CONTRACT

The Mount Gilead Exempted Village School District and the Center has entered into a service contract agreement. This agreement states that the Center will contract for educational services from the Mount Gilead Exempted Village School District Board of Education and reimburse the Board of Education for these services. The Mount Gilead Exempted Village School District agreed to provide the requested services and receive reimbursement for the Center pursuant to Ohio Revised Code Section 3317.11 as follows:

1. Instructional services for the intensive day treatment program
2. Instructional services for the High School S.E.D. program
3. Instructional services for the Recovery/Alcohol program
4. Instructional services for the Suspension Alternative program
5. Collaboration for staff development programs for certified and non-certified staff
6. Planning and consultative services for curriculum development
7. Psychological services as needed for re-evaluations and initial multi-factored evaluations
8. Fiscal services including payroll, retirement, and insurance
9. Student services including E.M.I.S., Nursing, Speech, Guidance and Therapy

TOMORROW CENTER COMMUNITY SCHOOL
(A Component Unit of the Mount Gilead Exempted Village School District)
MORROW COUNTY, OHIO

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

NOTE 8 - SERVICE CONTRACT - (Continued)

10. Classroom space and administrative services
11. Custodial services
12. Food services
13. Transportation services
14. Supervision/Director services
15. Office Management services
16. Classroom aides for instructional areas
17. Technology support

The Mount Gilead Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Mount Gilead Exempted Village School District. Other services may be provided based on mutual consent of both the Center and the Mount Gilead Exempted Village School District.

NOTE 9 - RELATED PARTY TRANSACTION

The Center is a component unit of the Sponsor (Mt. Gilead Exempted Village School District). The Center and the Sponsor entered into a 5-year sponsorship agreement on July 1, 2006, whereby terms of the sponsorship were established. Pursuant to this agreement, the Sponsor's Treasurer serves as the Center's fiscal officer.

In fiscal year 2008, payments were made by the Center to the Sponsor totaling \$584,429. These represent payments for reimbursements for services provided by the Sponsor to the Center.



Julian & Grube, Inc.
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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Directors
Tomorrow Center Community School
145 ½ N. Cherry Street
P.O. Box 239
Mount Gilead, Ohio 43338

We have audited the financial statements of the Tomorrow Center Community School, Morrow County, Ohio, (a component unit of the Mount Gilead Exempted Village School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Tomorrow Center Community School's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tomorrow Center Community School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tomorrow Center Community School's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Tomorrow Center Community School'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 the normal course of 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 Tomorrow Center Community School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tomorrow Center Community School's financial statements that is more than inconsequential will not be prevented or detected by the Tomorrow Center Community School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Tomorrow Center Community School's internal control.

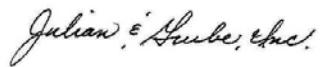
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Board of Directors
Tomorrow Center Community School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tomorrow Center Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Directors of the Tomorrow Center Community School and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 15, 2008



Mary Taylor, CPA
Auditor of State

TOMORROW CENTER COMMUNITY SCHOOL

MORROW 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
JANUARY 6, 2009**