

Tipp City Exempted Village School District
Miami County, Ohio

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

Board of Education
Tipp City Exempted Village School District
90 South Tippecanoe Drive
Tipp City, Ohio 45371

We have reviewed the *Independent Auditors' Report* of the Tipp City Exempted Village School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., 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 Tipp City Exempted Village School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 16, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Education
Tipp City Exempted Village School District
90 South Tippecanoe Drive
Tipp City, Ohio 45371

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tipp City Exempted Village School District (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 *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 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 the District, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Emergency Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008, on our consideration of the District'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.

The management's discussion and analysis on pages 3 through 10, 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 11, 2008

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 are as follows:

- In total, net assets increased \$546,047, which represents a 13% increase from 2007.
- General revenues accounted for \$22,448,151 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,554,869 or 10% of total revenues of \$25,003,020.
- The District had \$24,456,973 in expenses related to governmental activities; only \$2,554,869 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$22,448,151 were adequate to provide for these programs.
- Among major funds, the general fund had \$17,361,154 in revenues and \$17,270,596 in expenditures. The general fund's fund balance increased \$603,542 to a deficit of \$289,867. This increase in fund balance can mostly be attributed to increases in state grant revenues as well as instructional costs being shifted to the emergency levy fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- ***Governmental Activities*** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the 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 year-end available for spending in 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 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.

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2008 compared to 2007.

	Governmental Activities		Increase (Decrease)
	2008	Restated 2007	
Current and other assets	\$15,069,193	\$14,912,276	\$156,917
Capital assets, Net	<u>25,464,078</u>	<u>25,561,138</u>	<u>(97,060)</u>
Total assets	40,533,271	40,473,414	59,857
Long-term debt outstanding	22,508,311	22,583,528	(75,217)
Other liabilities	<u>13,379,452</u>	<u>13,790,425</u>	<u>(410,973)</u>
Total liabilities	<u>35,887,763</u>	<u>36,373,953</u>	<u>(486,190)</u>
Net assets			
Invested in capital assets, net of related debt	6,709,812	6,813,051	(103,239)
Restricted	1,433,195	1,402,623	30,572
Unrestricted	<u>(3,497,499)</u>	<u>(4,116,213)</u>	<u>618,714</u>
Total net assets	<u>\$4,645,508</u>	<u>\$4,099,461</u>	<u>\$546,047</u>

Total assets of the District's governmental activities remained very stable, increasing less than 1% compared to the prior year. Total liabilities decreased approximately 1%. The majority of this decrease can be attributed to decreases in unearned tax revenue, which can be attributed to a phase out of the personal property tax.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 compared with fiscal year 2007:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,523,119	\$1,494,567	\$28,552
Operating Grants and Contributions	1,021,930	987,154	34,776
Capital Grants and Contributions	9,820	30,080	(20,260)
Total Program Revenues	<u>2,554,869</u>	<u>2,511,801</u>	43,068
General Revenues:			
Property Taxes	12,108,358	10,866,442	1,241,916
Intergovernmental, Unrestricted	9,987,213	9,149,471	837,742
Other	352,580	406,104	(53,524)
Total General Revenues	<u>22,448,151</u>	<u>20,422,017</u>	<u>2,026,134</u>
Total Revenues	<u>25,003,020</u>	<u>22,933,818</u>	<u>2,069,202</u>
Program Expenses			
Instruction	13,886,013	13,227,958	658,055
Support Services:			
Pupils	830,725	912,730	(82,005)
Instructional Staff	1,127,050	998,999	128,051
Board of Education	42,210	37,512	4,698
Administration	1,477,745	1,448,492	29,253
Fiscal Services	567,642	513,470	54,172
Operation and Maintenance of Plant	1,920,091	1,817,323	102,768
Pupil Transportation	1,107,159	932,373	174,786
Central	548,072	543,002	5,070
Community Services	7,068	3,443	3,625
Operation of Non-Instructional Services	772,431	865,701	(93,270)
Extracurricular Activities	1,212,469	1,034,690	177,779
Interest and Fiscal Charges	958,298	963,583	(5,285)
Total expenses	<u>24,456,973</u>	<u>23,299,276</u>	<u>1,157,697</u>
Total Change in Net Assets	<u>546,047</u>	<u>(365,458)</u>	<u>911,505</u>
Beginning Net Assets - Restated	<u>4,099,461</u>	<u>4,464,919</u>	<u>(365,458)</u>
Ending Net Assets	<u><u>\$4,645,508</u></u>	<u><u>\$4,099,461</u></u>	<u><u>\$546,047</u></u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

Governmental Activities

Net assets of the District's governmental activities increased \$546,047. A phase out of the personal property tax was offset by the emergency levy, resulting in a net increase in tax revenues. Reimbursements from the State related to the personal property tax phase out account for the increase in intergovernmental revenues. Increases in instruction can be attributed to increases in costs for salaries and benefits.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 48% of revenues for governmental activities of the District in fiscal year 2008. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2008	Percent of Total
Intergovernmental, Unrestricted	\$9,987,213	39.94%
Program Revenues	2,554,869	10.22%
General Tax Revenues	12,108,358	48.43%
General Other	352,580	1.41%
Total Revenue	\$25,003,020	100.00%

39.94%
10.22%
1.41%
48.43%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$1,368,800, which is above last year's balance of \$839,685. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	(\$289,867)	(\$893,409)	\$603,542
Emergency Levy	168,698	197,852	(29,154)
Debt Service	1,048,746	862,282	186,464
Other Governmental	441,223	672,960	(231,737)
Total	\$1,368,800	\$839,685	\$529,115

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

General Fund – The District's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2008 Revenues	2007 Revenues	Increase (Decrease)
Taxes	\$7,599,610	\$7,554,325	\$45,285
Tuition and Fees	80,177	71,407	8,770
Investment Earnings	158,733	165,882	(7,149)
Intergovernmental - State	9,433,971	8,772,150	661,821
All Other Revenue	88,663	111,042	(22,379)
Total	\$17,361,154	\$16,674,806	\$686,348

General Fund revenues in 2008 increased approximately 4% compared to revenues in fiscal year 2007. Intergovernmental revenues increased substantially due to personal property tax phase out reimbursements received from the state.

	2008 Expenditures	2007 Expenditures	Increase (Decrease)
Instruction	\$9,847,071	\$10,035,683	(\$188,612)
Supporting Services:			
Pupils	636,148	691,849	(55,701)
Instructional Staff	1,112,423	989,165	123,258
Board of Education	37,727	34,747	2,980
Administration	1,415,397	1,606,656	(191,259)
Fiscal Services	521,082	481,412	39,670
Operation & Maintenance of Plant	1,949,943	1,776,698	173,245
Pupil Transportation	905,317	776,381	128,936
Central	388,648	381,426	7,222
Community Services	7,068	3,443	3,625
Extracurricular Activities	411,745	400,189	11,556
Debt Service			
Principal Retirement	26,507	0	26,507
Interest and Fiscal Charges	11,520	0	11,520
Total	\$17,270,596	\$17,177,649	\$92,947

Overall, expenditures remained very stable, increasing \$92,947 or less than 1% compared to the prior year. The decrease in expenditures for instruction and administration can both be attributed to decreases in costs for salaries and benefits. Operation and maintenance of plant and pupil transportation increased due to increases in fuel costs and supplies.

The 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 District amended its General Fund budget several times, none significant.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

For the General Fund, actual budget basis revenue was not significantly different than final budget estimates. Original budget revenue estimates were 7% less than final estimates due to differences in taxes and state grant revenue. Original budgeted, final budgeted, and actual budget basis expenditures were not significantly different. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the District had \$25,464,078 net of accumulated depreciation invested in land, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	Restated 2007	
Land	\$1,928,313	\$1,928,313	\$0
Land Improvements	3,882,639	3,346,639	536,000
Buildings and Improvements	26,383,111	26,383,111	0
Machinery and Equipment	4,310,728	4,166,429	144,299
Less: Accumulated Depreciation	(1,040,713)	(1,026,354)	(77,359)
Totals	\$25,464,078	\$25,561,138	(\$97,060)

The primary change occurred in land improvements, which represents a new running track.

Additional information on the District's capital assets can be found in Note 9.

Debt

At June 30, 2008, the District had \$19.6 million in bonds outstanding, \$845,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2008 compared with 2007:

	2008	2007
Governmental Activities:		
General Obligation Bond:		
School Improvement	\$1,920,087	\$2,392,452
Multi-Purpose	17,716,499	17,813,482
Capital Leases Payable	607,318	190,271
Compensated Absences	2,264,407	2,187,323
Totals	\$22,508,311	\$22,583,528

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2008, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

Unaudited

ECONOMIC FACTORS

The City of Tipp City is located eight miles north of the I75/I70 interchange, along the I75 corridor. There is railway access as well; the Dayton International Airport is located within 15 miles of the City. With all these factors the school has an excellent commercial base and has experienced very good growth in residential base over the last few years.

Tipp City Exempted Village Schools are dependent on Real Estate Taxes as well as the State Foundation. The mix in receipts is around 60% Local and 40% State. This is a reversal from 10 years ago, thus drawing further attention to State funding.

In November 2001 the voters approved a \$22,600,000 Bond Issue for the purpose of constructing a new high school. As of June 30, 2008 there was \$18,659,985 outstanding in bonds. Voters originally approved millage of 4.7 mills with an amortization of 28 years. However, due to the lower interest rates at the time the bonds were sold, the District was able to shorten the amortization by 3 years and only collect 4.1 mills to service the debt.

The new high school was completed with move-in spring break in 2004. The new high school is a 1000 student high school. The old high school could accommodate 800 students and is now a grade 6 through 8 middle school. The District has experienced growth in enrollment over the past few years, thus the need for the new high school.

The District currently has a 2 mill Permanent Improvement Levy in place which was renewed in the November 2003 elections. The school district passed a 7.57 mill Emergency Levy on May 2, 2006 for a 3 year period which will generate approximately \$2.7 million a year. Both the Permanent Improvement Levy and the Emergency Levy will expire at the end of calendar year 2009. Both levies were placed on the November 2008 ballot. The Permanent Improvement Levy was placed on the ballot as a renewal. The Emergency Levy was placed on the ballot as a Renewal with an Increase. The Permanent Improvement Renewal Levy passed and will be effective January 1, 2010. The Emergency Levy failed. The school district is currently at the 20 mill floor.

The greatest unknown at this time is the future of State Funding. At this point the District does not know what effect, if any, the latest Supreme Court decision will have on the State funding issue. There has been a gradual elimination of the Tangible Personal Valuations over the past 4 years. The State says that schools will be held harmless in the loss of taxes collected on Personal Tangible Personal Property through 2012. Tipp City Exempted Village School District collected approximately \$1,400,000 in Personal Tangible Property Tax in fiscal 2008.

In conclusion, the Tipp City Exempted Village School District has committed itself to financial excellence for many years.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Joseph E. Smith, Treasurer of Tipp City Exempted Village School District.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets ***June 30, 2008***

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 3,203,540
Receivables:	
Taxes	11,391,112
Accounts	156
Intergovernmental	96,141
Inventory of Supplies at Cost	11,711
Prepaid Items	72,403
Restricted Assets:	
Cash and Cash Equivalents	59,281
Cash with Fiscal Agent	7,422
Unamortized Bond Issuance Cost	227,427
Non-Depreciable Capital Assets	1,928,313
Depreciable Capital Assets, Net	23,535,765
Total Assets	40,533,271
Liabilities:	
Accounts Payable	78,631
Accrued Wages and Benefits	1,876,264
Intergovernmental Payable	594,603
Unearned Revenue - Taxes	10,655,519
Accrued Interest Payable	73,619
Liabilities Payable from Restricted Assets:	
Matured Bonds & Interest Payable	66,703
Compensated Absences Payable	34,113
Long Term Liabilities:	
Due Within One Year	1,089,272
Due in More Than One Year	21,419,039
Total Liabilities	35,887,763
Net Assets:	
Invested in Capital Assets, Net of Related Debt	6,709,812
Restricted For:	
Capital Projects	259,960
Debt Service	999,044
Other Purposes	174,191
Unrestricted (Deficit)	(3,497,499)
Total Net Assets	\$ 4,645,508

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities **For the Fiscal Year Ended June 30, 2008**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 13,886,013	\$ 219,873	\$ 539,058	\$ 0	\$ (13,127,082)
Support Services:					
Pupils	830,725	0	244,352	0	(586,373)
Instructional Staff	1,127,050	0	5,683	0	(1,121,367)
Board of Education	42,210	0	0	0	(42,210)
Administration	1,477,745	0	0	0	(1,477,745)
Fiscal Services	567,642	0	0	0	(567,642)
Operation and Maintenance of Plant	1,920,091	0	0	0	(1,920,091)
Pupil Transportation	1,107,159	0	0	9,820	(1,097,339)
Central	548,072	0	27,228	0	(520,844)
Community Services	7,068	0	0	0	(7,068)
Operation of Non-Instructional Services	772,431	597,797	205,609	0	30,975
Extracurricular Activities	1,212,469	705,449	0	0	(507,020)
Interest and Fiscal Charges	958,298	0	0	0	(958,298)
Total Governmental Activities	<u>\$ 24,456,973</u>	<u>\$ 1,523,119</u>	<u>\$ 1,021,930</u>	<u>\$ 9,820</u>	<u>(21,902,104)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					10,080,100
Debt Service					1,447,451
Capital Outlay					580,807
Intergovernmental, Unrestricted					9,987,213
Investment Earnings					165,606
Miscellaneous					186,974
Total General Revenues					<u>22,448,151</u>
Change in Net Assets					546,047
Net Assets Beginning of Year - Restated					<u>4,099,461</u>
Net Assets End of Year					<u>\$ 4,645,508</u>

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2008

	General	Emergency Levy	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,587,519	\$ 68,007	\$ 972,415	\$ 575,599	\$ 3,203,540
Receivables:					
Taxes	7,054,583	2,389,752	1,400,420	546,357	11,391,112
Accounts	156	0	0	0	156
Intergovernmental	8,324	0	0	87,817	96,141
Interfund Loans Receivable	24,940	0	0	0	24,940
Inventory of Supplies at Cost	0	0	0	11,711	11,711
Prepaid Items	67,003	0	0	5,400	72,403
Restricted Assets:					
Cash and Cash Equivalents	0	0	59,281	0	59,281
Cash with Fiscal Agent	0	0	7,422	0	7,422
Total Assets	\$ 8,742,525	\$ 2,457,759	\$ 2,439,538	\$ 1,226,884	\$ 14,866,706
Liabilities:					
Accounts Payable	\$ 40,754	\$ 0	\$ 0	\$ 37,877	\$ 78,631
Accrued Wages and Benefits	1,768,024	0	0	108,240	1,876,264
Intergovernmental Payable	554,417	11,904	0	28,282	594,603
Matured Bonds and Interest Payable	0	0	66,703	0	66,703
Interfund Loans Payable	0	0	0	24,940	24,940
Deferred Revenue - Taxes	6,635,084	2,277,157	1,324,089	515,602	10,751,932
Deferred Revenue	0	0	0	70,720	70,720
Compensated Absences Payable	34,113	0	0	0	34,113
Total Liabilities	9,032,392	2,289,061	1,390,792	785,661	13,497,906
Fund Balance:					
Reserved for Encumbrances	28,199	0	0	98,574	126,773
Reserved for Prepaid Items	67,003	0	0	5,400	72,403
Reserved for Supplies Inventory	0	0	0	11,711	11,711
Reserved for Debt Service	0	0	977,660	0	977,660
Reserved for Property Taxes	393,912	103,640	71,086	28,722	597,360
Unreserved, Undesignated in:					
General Fund (Deficit)	(778,981)	0	0	0	(778,981)
Special Revenue Funds	0	65,058	0	142,463	207,521
Capital Projects Funds	0	0	0	154,353	154,353
Total Fund Balances	(289,867)	168,698	1,048,746	441,223	1,368,800
Total Liabilities and Fund Balance	\$ 8,742,525	\$ 2,457,759	\$ 2,439,538	\$ 1,226,884	\$ 14,866,706

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30, 2008***

Total Governmental Fund Balances		\$ 1,368,800
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		25,464,078
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes Receivable	96,413	
Deferred Grant Monies Receivable	70,720	
Unamortized Bond Issuance Cost	<u>227,427</u>	394,560
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(18,659,985)	
Interest Accretion	(1,489,638)	
Bond Premium	(241,681)	
Deferred Loss on Early Retirement of Debt	754,718	
Capital Leases	(607,318)	
Compensated Absences	(2,264,407)	
Accrued Interest Payable	<u>(73,619)</u>	<u>(22,581,930)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 4,645,508</u></u>

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2008

	General	Emergency Levy	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources:					
Taxes	\$ 7,599,610	\$ 2,488,340	\$ 1,446,938	\$ 580,698	\$ 12,115,586
Tuition and Fees	80,177	0	0	107,300	187,477
Investment Earnings	158,733	0	0	5,587	164,320
Extracurricular Activities	0	0	0	737,845	737,845
Food Services	0	0	0	597,797	597,797
Intergovernmental - State	9,433,971	280,890	224,873	158,952	10,098,686
Intergovernmental - Federal	0	0	0	849,557	849,557
All Other Revenue	88,663	0	0	91,613	180,276
Total Revenue	17,361,154	2,769,230	1,671,811	3,129,349	24,931,544
Expenditures:					
Current:					
Instruction	9,847,071	2,758,002	0	1,007,215	13,612,288
Supporting Services:					
Pupils	636,148	0	0	179,864	816,012
Instructional Staff	1,112,423	0	0	5,560	1,117,983
Board of Education	37,727	0	0	0	37,727
Administration	1,415,397	0	0	0	1,415,397
Fiscal Services	521,082	40,382	0	0	561,464
Operation and Maintenance of Plant	1,949,943	0	0	0	1,949,943
Pupil Transportation	905,317	0	0	144,453	1,049,770
Central	388,648	0	0	130,269	518,917
Community Services	7,068	0	0	0	7,068
Operation of Non-Instructional Services	0	0	0	754,212	754,212
Extracurricular Activities	411,745	0	0	783,458	1,195,203
Capital Outlay	0	0	0	285,923	285,923
Debt Service:					
Principal Retirement	26,507	0	700,000	61,446	787,953
Interest & Fiscal Charges	11,520	0	785,347	6,062	802,929
Total Expenditures	17,270,596	2,798,384	1,485,347	3,358,462	24,912,789
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,558	(29,154)	186,464	(229,113)	18,755

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

	General	Emergency Levy	Debt Service	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):					
Proceeds from the Sale of Capital Assets	205	0	0	0	205
Other Financing Sources - Capital Lease	505,000	0	0	0	505,000
Refund of Prior Year Expenditures	7,779	0	0	0	7,779
Total Other Financing Sources (Uses)	<u>512,984</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>512,984</u>
Net Change in Fund Balance	603,542	(29,154)	186,464	(229,113)	531,739
Fund Balance (Deficit) at Beginning of Year	(893,409)	197,852	862,282	672,960	839,685
Decrease in Inventory Reserve	0	0	0	(2,624)	(2,624)
Fund Balance (Deficit) End of Year	<u>\$ (289,867)</u>	<u>\$ 168,698</u>	<u>\$ 1,048,746</u>	<u>\$ 441,223</u>	<u>\$ 1,368,800</u>

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***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 \$ 531,739

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	813,915	
Depreciation Expense	<u>(910,975)</u>	(97,060)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in Delinquent Property Taxes Receivable	(7,228)	
Increase in Deferred Grants Receivable	70,720	
Decrease in Inventory	<u>(2,624)</u>	60,868

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	700,000	
Interest Accretion on Capital Appreciation Bonds	(87,899)	
Unamortized Bond Issuance Cost	(18,952)	
Bond Premium Amortization	20,140	
Deferred Loss on Early Retirement of Debt	(62,893)	
Capital Lease Issuance	(505,000)	
Capital Lease Principal Payment	<u>87,953</u>	133,349

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (5,765)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Increase in Compensated Absences Liability	<u>(77,084)</u>	
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Change in Net Assets of Governmental Activities **\$ 546,047**

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Local Sources:				
Taxes	\$ 7,164,893	\$ 7,693,526	\$ 7,686,222	\$ (7,304)
Tuition	74,739	80,253	80,177	(76)
Investment Earnings	148,975	159,967	159,815	(152)
Intergovernmental - State	8,794,098	9,442,936	9,433,971	(8,965)
All Other Revenues	<u>84,058</u>	<u>90,260</u>	<u>90,174</u>	<u>(86)</u>
Total Revenues	<u>16,266,763</u>	<u>17,466,942</u>	<u>17,450,359</u>	<u>(16,583)</u>
Expenditures:				
Current:				
Instruction	9,490,862	9,490,862	9,456,592	34,270
Support Services:				
Pupils	659,064	659,064	656,049	3,015
Instructional Staff	1,077,049	1,077,049	1,073,870	3,179
Board of Education	38,939	38,939	36,953	1,986
Administration	1,454,690	1,454,690	1,445,336	9,354
Fiscal Services	530,059	530,059	517,160	12,899
Operation and Maintenance of Plant	1,999,850	1,999,850	1,953,325	46,525
Pupil Transportation	909,959	909,959	899,304	10,655
Central	433,215	433,215	412,449	20,766
Community Services	7,324	7,324	7,064	260
Extracurricular Activities	<u>418,517</u>	<u>418,517</u>	<u>413,663</u>	<u>4,854</u>
Total Expenditures	<u>17,019,528</u>	<u>17,019,528</u>	<u>16,871,765</u>	<u>147,763</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(752,765)	447,414	578,594	131,180
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	500	500	205	(295)
Transfers Out	(5,000)	(5,000)	0	5,000
Advances In	37,500	37,500	56,000	18,500
Advances Out	(200,000)	(200,000)	(24,640)	175,360
Refund of Prior Year Expenditures	<u>15,000</u>	<u>15,000</u>	<u>13,377</u>	<u>(1,623)</u>
Total Other Financing Sources (Uses):	<u>(152,000)</u>	<u>(152,000)</u>	<u>44,942</u>	<u>196,942</u>
Net Change in Fund Balance	(904,765)	295,414	623,536	328,122
Fund Balance at Beginning of Year	828,340	828,340	828,340	0
Prior Year Encumbrances	<u>81,791</u>	<u>81,791</u>	<u>81,791</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,366</u>	<u>\$ 1,205,545</u>	<u>\$ 1,533,667</u>	<u>\$ 328,122</u>

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund - Emergency Levy Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 2,458,339	\$ 2,502,952	\$ 2,502,952	\$ 0
Intergovernmental - State	275,883	280,890	280,890	0
Total Revenues	2,734,222	2,783,842	2,783,842	0
Expenditures:				
Current:				
Instruction	2,755,000	2,756,000	2,755,790	210
Support Services:				
Fiscal Services	45,000	44,000	40,382	3,618
Total Expenditures	2,800,000	2,800,000	2,796,172	3,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,778)	(16,158)	(12,330)	3,828
Fund Balance at Beginning of Year	80,337	80,337	80,337	0
Fund Balance at End of Year	\$ 14,559	\$ 64,179	\$ 68,007	\$ 3,828

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Assets and Liabilities
Fiduciary Fund
June 30, 2008

	Student Activity Fund
Assets:	
Cash and Cash Equivalents	\$ 58,845
Total Assets	<u>58,845</u>
Liabilities:	
Due to Students	58,845
Total Liabilities	<u>\$ 58,845</u>

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Tipp City Exempted Village School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions, and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation, and care and upkeep of grounds and buildings.

The District is associated with organizations which are defined as an insurance purchasing pool, jointly governed organizations, and a related organization. These organizations are presented in Notes 14, 16 and 17 to the basic financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are grouped into the categories of governmental and fiduciary.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Emergency Levy Fund - This fund is used to account for a 7.57 mill emergency operating levy.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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 District under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs. The District's only fiduciary fund is its agency fund. The District's agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

C. Basis of Presentation and Measurement Focus – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. 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 District.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus – Financial Statements (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is followed by the governmental funds.

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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at fiscal year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Property taxes measurable as of June 30, 2008, but which are not intended to finance fiscal year 2008 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than the agency fund are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the function level for the General Fund and fund level for all other funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the fiscal year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2008.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each fiscal year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the function level in the general fund and at the fund level in all other funds. The appropriation resolution may be amended during the fiscal year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the fiscal year without approval of the Board. During the fiscal year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Special Revenue Fund:

	Net Change in Fund Balance	
	General Fund	Emergency Levy Fund
GAAP Basis (as reported)	\$603,542	(\$29,154)
Increase (Decrease):		
Accrued Revenues at June 30, 2008, received during FY 2009	(396,619)	(112,595)
Accrued Revenues at June 30, 2007, received during FY 2008	522,782	127,207
Accrued Expenditures at June 30, 2008, paid during FY 2009	2,397,308	11,904
Accrued Expenditures at June 30, 2007, paid during FY 2008	(2,436,747)	(9,692)
FY 2008 Prepays for FY 2009	(67,003)	0
FY 2007 Prepays for FY 2008	54,125	0
Encumbrances Outstanding	(53,852)	0
Budget Basis	\$623,536	(\$12,330)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of three months or less.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments at fair value, except for nonparticipating investment contracts which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined in 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives (in years)
Land Improvements	20
Buildings and Improvements	20 – 50
Machinery, Equipment, Vehicles, Furniture and Fixtures	5 - 20

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	General Fund, Food Services Fund, Title I Fund
Capital Lease	General Fund, Permanent Improvement Fund
G.O. Bond	Debt Service Fund

K. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*”, vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a cumulative maximum of 210 days. Upon retirement, employees can receive a portion of the sick leave, between 27% to 39%, depending on the type of employment contract. In addition, Merit Service Retirement Award may be paid for sick leave balances in excess of the 210 days depending upon the type of employment contract. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. There were no net assets restricted by enabling legislation at June 30, 2008.

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

M. Pensions

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

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

O. Restricted Assets

Restricted assets in the debt service fund represent cash and cash equivalents restricted in use for debt service payments.

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, supplies inventory, property taxes, and encumbered amounts which have not been accrued at fiscal year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under state statute.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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 could differ from those estimates.

R. 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 year in which services are consumed.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2008.

NOTE 2 – RESTATEMENT OF NET ASSETS

Certain adjustments were necessary to the beginning net asset balance of the Governmental Activities to correct errors in accounting for accumulated depreciation on capital assets. As a result of the restatement, the District's net assets for Governmental Activities at June 30, 2007 increased \$1,089,002 to a restated amount of \$4,099,461.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2008 of \$289,867 in the General Fund, \$28,494 in the Food Service Fund, \$829 in the Uniform School Supplies Fund, \$58,713 in the Title VI-B Fund, and \$11,023 in the Chapter I Fund (special revenue) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$3,260,555 and the bank balance was \$3,367,655. Federal depository insurance covered \$177,054 of the bank balance and \$3,190,601 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	<u>\$3,190,601</u>
Total Balance	<u><u>\$3,190,601</u></u>

B. Restricted Cash and Cash with Fiscal Agents

In addition to deposits, the District had restricted cash in the amount of \$59,281 and cash with fiscal agent in the amount of \$7,422, the entire amount was insured by the FDIC.

C. Cash on Hand

At fiscal year end, the District had \$1,830 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 5 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2008, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2007	(\$309,750)	\$0	(\$309,750)
Current Year Set-Aside Requirement	404,230	404,230	808,460
Qualifying Disbursements	(458,708)	(552,060)	(1,010,768)
Total	<u>(\$364,228)</u>	<u>(\$147,830)</u>	<u>(\$512,058)</u>
Cash Balance Carried Forward to FY 2009	<u>(\$364,228)</u>	<u>\$0</u>	<u>(\$364,228)</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount for capital acquisition may not be used to reduce the set-aside requirements of future years. Negative amounts for capital acquisition are therefore not presented as being carried forward to the next fiscal year.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2008 were levied after April 1, 2007 on assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed in 2007. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to 6.25 percent in 2008. The rate will be reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Tipp City Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2008 receipts were based are:

	2007 Second Half Collections	2008 First Half Collections
Agricultural/Residential and Other Real Estate	\$320,334,890	\$365,937,930
Public Utility Personal	8,414,870	7,456,840
Tangible Personal Property	55,560,850	29,112,320
Total Assessed Value	<u>\$384,310,610</u>	<u>\$402,507,090</u>
Tax rate per \$1,000 of assessed valuation	\$50.48	\$48.98

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts, and intergovernmental receivables.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2008:

Fund	Interfund Loan Receivables	Interfund Loan Payables
General Fund	\$24,940	\$0
Other Governmental Funds	0	24,940
Total All Funds	<u>\$24,940</u>	<u>\$24,940</u>

These Interfund Loans are short-term loans to cover a temporary cash deficit.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2008:

Historical Cost:

Class	Restated June 30, 2007	Additions	Deletions	June 30, 2008
Capital assets not being depreciated:				
Land	\$1,928,313	\$0	\$0	\$1,928,313
Capital assets being depreciated:				
Land Improvements	3,346,639	536,000	0	3,882,639
Buildings and Improvements	26,383,111	0	0	26,383,111
Machinery and Equipment	4,166,429	277,914	(133,615)	4,310,728
Total Cost	<u>\$35,824,492</u>	<u>\$813,914</u>	<u>(\$133,615)</u>	<u>\$36,504,791</u>

Accumulated Depreciation:

Class	June 30, 2007	Additions	Deletions	June 30, 2008
Land Improvements	(\$1,056,814)	(\$158,231)	\$0	(\$1,215,045)
Buildings and Improvements	(6,334,718)	(514,132)	0	(6,848,850)
Machinery and Equipment	(2,871,822)	(238,612)	133,616	(2,976,818)
Total Depreciation	<u>(\$10,263,354)</u>	<u>(\$910,975) *</u>	<u>\$133,616</u>	<u>(\$11,040,713)</u>
Net Value:	<u>\$25,561,138</u>			<u>\$25,464,078</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$702,946
Support Services:	
Pupils	1,716
Instructional Staff	920
Administration	64,830
Operations & Maintenance of Plant	4,953
Pupil Transportation	68,073
Central	30,106
Operation of Non-Instructional Services	23,576
Extracurricular Activities	13,855
Total Depreciation Expense	<u>\$910,975</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio

Plan Description - The 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. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$259,969, \$264,171 and \$271,018 respectively, which were equal to the required contributions for each year.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The 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.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The 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.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,351,562, \$1,367,830, and \$1,212,811 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2008 were \$16,676 made by the District and \$43,208 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The 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 \$35,800.

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.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$173,642, \$126,497, and \$141,981 respectively; which were equal to the required contributions for each year.

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 District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$18,731, \$17,964, and \$21,571 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description – The 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 District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$103,966, \$105,218, and \$93,293 respectively; which were equal to the required contributions for each year.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 12 - LONG-TERM OBLIGATIONS

Detail of the changes in the general obligation bonds, capital leases, and compensated absences of the District for the year ended June 30, 2008 is as follows:

		Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due Within One Year
Governmental Activities:						
General Obligation Bond:						
School Improvement	5.08%	\$2,000,000	\$0	(\$500,000)	\$1,500,000	\$640,000
Multi-Purpose Bonds	3.00-5.00%	17,359,985	0	(200,000)	17,159,985	205,000
Bond Premium		261,821	0	(20,140)	241,681	0
Deferred Loss on Early Retirement		(817,611)	0	62,893	(754,718)	0
		18,804,195	0	(657,247)	18,146,948	845,000
Interest Accretion		1,401,739	87,899	0	1,489,638	0
Total General Obligation Bonds		20,205,934	87,899	(657,247)	19,636,586	845,000
Capital Lease Payable		190,271	505,000	(87,953)	607,318	118,245
Compensated Absences Payable		2,187,323	2,264,407	(2,187,323)	2,264,407	126,027
Total Long-Term Obligations		\$22,583,528	\$2,857,306	(\$2,932,523)	\$22,508,311	\$1,089,272

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2008 follows:

Years	General Obligation Bond	
	Principal	Interest
2009	\$845,000	\$730,270
2010	875,000	697,049
2011	415,000	1,171,105
2012	1,000,000	651,448
2013	1,050,000	608,898
2014-2018	4,219,985	4,092,563
2019-2023	6,835,000	1,414,815
2024-2026	3,420,000	140,876
Totals	\$18,659,985	\$9,507,024

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

B. Defeased Debt

In fiscal 2006, the District defeased \$15,640,000 of General Obligation Bonds for School Building Improvements, dated November 7, 2000, through the issuance of \$15,634,985 of General Obligation Bonds. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$15,640,000 at June 30, 2008, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

NOTE 13 - CAPITALIZED LEASE

The District is obligated under two leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Obligations. The assets under capital lease had an original cost of \$966,966 and accumulated depreciation of \$250,202.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2009	\$143,562
2010	143,562
2011	76,054
2012	76,054
2013	76,054
2014 - 2016	<u>190,135</u>
Minimum Lease Payments	705,421
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(98,103)</u>
Present Value of minimum lease payments	<u><u>\$607,318</u></u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2008 the District contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Indiana Insurance Company	Fleet Insurance	\$500
Indiana Insurance Company	Buildings & Contents	\$2500
Indiana Insurance Company	School District Liability	\$0
Cincinnati Insurance Company	Employee Bond	\$0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District participates in the Southwestern Ohio Educational Purchasing Cooperative Group Rating Program (the GRP), an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the 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 Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 15 - GRANTS

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claim will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA 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-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members of those counties i.e. Auglaize, Butler, Champaign, Clark, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be 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 District paid \$1,688 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Council (SOEPC) - SOEPC is a purchasing council made up of nearly one hundred school districts in twelve counties. The purpose of the council 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 and supplies purchased by the SOEPC is held in trust for the member district. 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 District paid \$1,400 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2008, the District paid no monies to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Metropolitan Dayton Educational Computer Association (MDECA) – MDECA, a computer consortium, is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$25,459 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

NOTE 17 - RELATED ORGANIZATION

Tipp City Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tipp City Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. During fiscal year 2008, the District paid no monies to this organization. Financial information can be obtained from the Tipp City Public Library, Clerk/Treasurer, 11 East Main Street, Tipp City, Ohio 45371.

NOTE 18 - CONTINGENCIES

A. Litigation

The District is currently a participant in a lawsuit involving a former teacher who feels her employment was unfairly terminated. The claim is not against the District, but against the District's insurance company. The insurance company is defending the actions. Liability, if any, is unknown at this time.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 45 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*” GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, and GASB Statement No. 50, “*Pension Disclosures*”.

Statement No. 45 establishes standards of accounting and financial reporting for Other Postemployment Benefits (OPEB), note disclosures and required supplementary information. The application of this new standard did not have an effect on the financial statements, nor did implementation require a restatement of prior year balances.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any changes to the financial statements.

Tipp City Exempted Village School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Number	Receipts	Disbursements
U.S. Department of Agriculture:				
<i>Passed through Ohio Department of Education:</i>				
Food Donations (1)	10.550	N/A	\$ 56,834	\$ 56,834
National School Lunch Program	10.555	LL-P4-2008	<u>162,274</u>	<u>162,274</u>
Total US Department of Agriculture			<u>219,108</u>	<u>219,108</u>
U.S. Department of Education:				
<i>Passed through Ohio Department of Education:</i>				
Title I Grants to Local Education Agencies	84.010	C1-S1-2007 C1-S1-2008	20,081 <u>146,985</u>	30,395 <u>156,407</u>
Total Title I Grants to Local Education Agencies			167,066	186,802
Special Education Grants to States	84.027	6B-SF-2007 6B-SF-2008	57,787 <u>411,331</u>	41,804 <u>419,936</u>
Total Special Education Grants to States			469,118	461,740
Safe and Drug Free Schools and Communities	84.186	DR-S1-2008	<u>7,025</u>	<u>4,775</u>
State Grants for Innovative Programs	84.298	C2-S1-2007 C2-S1-2008	- <u>3,551</u>	1,118 <u>1,969</u>
Total State Grants for Innovative Programs			3,551	3,087
Education Technology State Grants	84.318	TJ-S1-2007 TJ-S1-2008	- <u>175</u>	109 <u>1,315</u>
Total Education Technology State Grants			175	1,424
Improving Teacher Quality State Grants	84.367	TR-S1-2007 TR-S1-2008	4,191 <u>50,422</u>	- <u>45,200</u>
Total Improving Teacher Quality State Grants			54,613	45,200
<i>Passed through Tecumseh Local School District:</i>				
English Language Acquisition Grants (LEP III Grant)	84.365	N/A	<u>7,243</u>	<u>8,062</u>
Total U.S. Department of Education			<u>708,791</u>	<u>711,090</u>
Total Federal Assistance			<u>\$ 927,899</u>	<u>\$ 930,198</u>

(1) - Estimated cash value of food commodities received and used.

See accompanying notes to the Schedule of Expenditures of Federal Awards

Tipp City Exempted Village School District
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state and local funds. It is assumed federal monies are expended first. At June 30, 2008, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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

**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 Education
Tipp City Exempted Village School District
2825 North State Route 589
Tipp City, Ohio 45371

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tipp City Exempted Village School District (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 December 11, 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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. However, as discussed below, we identified a deficiency of the District's internal control over financial reporting that we consider to be a significant deficiency.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-1 to be a significant deficiency in internal control over financial reporting.

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 District's internal control.

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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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

We noted certain matters that we reported to management of the District, in a separate letter dated December 11, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Springfield, Ohio
December 11, 2008

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

Board of Education
Tipp City Exempted Village School District
2825 North State Route 589
Tipp City, Ohio 45371

Compliance

We have audited the compliance of the Tipp City Exempted Village School District (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 are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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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A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program 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 noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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.

This report is intended solely for the information and use of management, the finance committee, others within the entity, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 11, 2008

Tipp City Exempted Village School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 84.027 – Title VI(B) Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding Number 2008-1

As disclosed in Note 2 to the financial statements, the School District restated governmental net assets as of June 30, 2007 due to errors noted in the calculation of accumulated depreciation reported in prior years. During the year ended June 30, 2008, the School District converted to a new capital asset inventory system to address the issue of depreciation calculation. As a result of this change the beginning accumulated depreciation amounts for the year required adjustments to agree with the amounts reported by the new capital asset inventory system. In addition, an audit adjustment was necessary to correct the current year depreciation expense due to the manner in which depreciation expense was reported in the reports produced by the new capital asset system.

Management Response:

The restatement was necessary to correct the capital asset amount reported based on the District’s conversion to an “in house” inventory system. We feel this will address issues with the capital asset system that have existed for years and should enable accurate reporting from this point forward.

Finding Number 2008-2

Ohio Rev. Code section 5705.41(B) prohibits the expenditure of monies by a subdivision unless it has been properly appropriated. Budgetary expenditures (expenditures plus encumbrances) exceeding appropriations at the legal level of control, enacted through the appropriation resolution, were noted throughout the year in several funds.

The District should ensure expenditures and encumbrances do not exceed the appropriation levels established by the Board of Education through the appropriation resolutions and subsequent amendments. Any changes necessary to the appropriation accounts should be made prior to the expenditure or encumbrance being incurred rather than after they have occurred.

Management Response:

The District will exercise greater care in monitoring appropriations throughout the year. This was the first year for the District to be on state software and was more of a learning experience.

Section III – Federal Awards Findings and Questioned Costs

None noted

Tipp City Exempted Village School District
Summary of Prior Audit Findings and Questioned Costs
Fiscal Year Ended June 30, 2008

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Explanation of Correction</u>
2007-1	Audit adjustments and reclassifications were required to correct financial statements.	Partially	Audit adjustments were necessary in the current year for depreciation for capital assets.



Mary Taylor, CPA
Auditor of State

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI 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
DECEMBER 31, 2008