

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

**BASIC
FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2008*

PATRICIA PENNY, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Directors
Tiffin City Schools Digital Academy
244 S. Monroe Street
Tiffin, Ohio 44883-2906

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 4, 2009

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**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements:	
Statement of Net Assets.....	6
Statement of Revenues, Expenses and Changes in Net Assets.....	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements.....	9 - 15
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16 - 17
Status of Prior Audit Findings	18



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Directors
Tiffin City Schools Digital Academy
244 S. Monroe Street
Tiffin, Ohio 44883-2906

We have audited the accompanying financial statements of the Tiffin City Schools Digital Academy, Seneca County, Ohio (a component unit of Tiffin City School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Tiffin City Schools Digital Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tiffin City Schools Digital Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tiffin City Schools Digital Academy, as of June 30, 2008, and the respective changes in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, on our consideration of the Tiffin City Schools Digital Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Tiffin City Schools Digital Academy
Page Two

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



Julian & Grube, Inc.
January 30, 2009

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets were \$216,711 at June 30, 2008.
- The Academy had operating revenues of \$250,421, operating expenses of \$294,587 and non-operating revenues of \$42,905 for fiscal year 2008. Total change in net assets for the fiscal year was a decrease of \$1,261.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the Academy's net assets, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

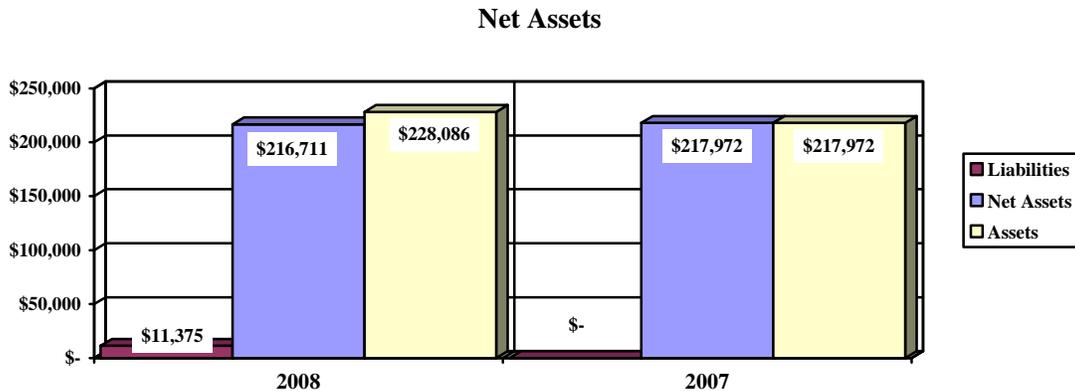
Table 1 provides a summary of the Academy's net assets for fiscal year 2008 and 2007:

(Table 1) Net Assets		
	2008	2007
<u>Assets</u>		
Current assets	\$ 204,736	\$ 186,345
Capital assets, net	23,350	31,627
Total assets	228,086	217,972
<u>Liabilities</u>		
Current liabilities	11,375	-
Total liabilities	11,375	-
<u>Net Assets</u>		
Invested in capital assets	23,350	31,627
Restricted	21,643	-
Unrestricted	171,718	186,345
Total net assets	\$ 216,711	\$ 217,972

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Academy's net assets totaled \$216,711.

A portion of the Academy's net assets, \$21,643, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$171,718 may be used to meet the Academy's ongoing obligation to the students and creditors.

The chart below illustrates the Academy's assets, liabilities and net assets at fiscal year-end for 2008 and 2007.



**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

Table 2 shows the changes in net assets for fiscal year 2008, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2008	2007
<u>Operating Revenues:</u>		
Foundation payments	\$ 250,421	\$ 182,685
Total operating revenue	250,421	182,685
<u>Operating Expenses:</u>		
Purchased services	212,270	284,171
Materials and supplies	67,102	14,445
Depreciation	8,277	5,411
Other	6,938	-
Total operating expenses	294,587	304,027
<u>Non-Operating Revenues:</u>		
Federal grants	39,828	300,000
State grants	3,000	5,000
Other non-operating revenues	77	-
Total non-operating revenues	42,905	305,000
Change in net assets	(1,261)	183,658
Net assets beginning of year	217,972	34,314
Net assets at end of year	\$ 216,711	\$ 217,972

Capital Assets

At June 30, 2008, the Academy had \$23,350 invested in furniture and equipment, net of accumulated depreciation. See Note 5 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

Current Financial Related Activities

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for State and federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the monies it receives. Questions concerning any of the information in this report should be directed to Pat Penny, Treasurer, at Tiffin City Schools Digital Academy, 244 S. Monroe St., Tiffin, Ohio 44883-2906.

**BASIC
FINANCIAL STATEMENTS**

TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:	
Current assets:	
Cash	\$ 193,949
Receivables:	
Intergovernmental.	<u>10,787</u>
Total current assets	<u>204,736</u>
Non-current assets:	
Capital assets, net	<u>23,350</u>
Total assets	<u>228,086</u>
Liabilities:	
Current:	
Accounts payable	179
Intergovernmental payable	<u>11,196</u>
Total liabilities	<u>11,375</u>
Net Assets:	
Invested in capital assets	23,350
Restricted for:	
State funded programs.	9,268
Federally funded programs	12,375
Unrestricted.	<u>171,718</u>
Total net assets	<u><u>\$ 216,711</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO

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

Operating revenues:	
State foundation	\$ 250,421
Total operating revenues.	<u>250,421</u>
 Operating expenses:	
Purchased services.	212,270
Materials and supplies	67,102
Depreciation	8,277
Other.	6,938
Total operating expenses.	<u>294,587</u>
 Operating loss	 (44,166)
 Non-operating revenues:	
Federal grants.	39,828
State grants	3,000
Other non-operating revenues.	77
Total non-operating revenues	<u>42,905</u>
 Change in net assets	 (1,261)
 Net assets at beginning of year	 <u>217,972</u>
Net assets at end of year.	<u><u>\$ 216,711</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO

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

Cash flows from operating activities:		
Cash received from State foundation.	\$	278,439
Cash payments to suppliers for goods and services		(201,074)
Cash payments for materials and supplies		(66,923)
Cash payments for other expenses		(6,938)
		<hr/>
Net cash provided by operating activities		<hr/> 3,504
Cash flows from noncapital financing activities:		
Federal and state grants.		32,898
Cash received from non-operating revenues		77
		<hr/>
Net cash provided by noncapital financing activities		<hr/> 32,975
Net increase in cash and cash equivalents		36,479
Cash at beginning of year		<hr/> 157,470
Cash at end of year	\$	<hr/><hr/>193,949
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss.	\$	(44,166)
Adjustments:		
Depreciation.		8,277
Changes in assets and liabilities:		
Decrease in intergovernmental receivable		28,018
Increase in accounts payable.		179
Increase in intergovernmental payable.		11,196
		<hr/>
Net cash provided by operating activities	\$	<hr/><hr/>3,504

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Tiffin City Schools Digital Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Tiffin City School District (the Sponsor) for a period of five years commencing on the first day of the 2005-2006 academic year, as set forth in the educational plan. The Academy initiated operations on August 23, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Sponsor is also the fiscal agent of the Academy with the Treasurer of the Sponsor performing the role of Treasurer for the Academy.

The Academy operates under the direction of a five-member Board of Directors made up of community members who represent the interests of parents and students served by the Academy. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. During fiscal year 2008, the Academy purchased services from the Tri-Rivers Educational Computer Association (TRECA) for providing the instructional, administrative and technical services for the Academy.

The Academy is a component unit of Tiffin City School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets; a statement of revenue, expenses, and changes in net assets; and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

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

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets the cash flow needs of its enterprise activities.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process in addition to preparing a 5-year forecast. The 5-year forecast is updated on an annual basis.

D. Cash

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Tiffin City School District. All cash received by the fiscal agent is maintained in a separate account in the Academy's name. The Academy had no investments during the fiscal year.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value as of the date donated. The Academy maintains a capitalization threshold of \$1,000. The Academy does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Capital assets, currently consisting of furniture and equipment, are depreciated over five years.

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

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

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. The Academy had restricted net assets that include amounts reserved for state and federally funded programs.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

H. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Federal and State grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Academy participates in various programs through the Ohio Department of Education. These include the Federal Charter School Grant Program, Poverty-based Assistance, EMIS grant, IDEA-B, Title V and Title II-A.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO

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

NOTE 3 - DEPOSITS

At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits totaled \$193,949. The bank balance was \$193,949, of which \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC). The remaining balance of \$93,949 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental Receivables:	<u>Amount</u>
IDEA-B	\$ 9,052
Title V	74
Title II-A	804
Foundation - full time equivalency adjustment	<u>857</u>
Total intergovernmental receivables	<u>\$ 10,787</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/08</u>
Furniture and equipment	\$ 41,387	\$ -	\$ -	\$ 41,387
Less: accumulated depreciation	<u>(9,760)</u>	<u>(8,277)</u>	<u>-</u>	<u>(18,037)</u>
Net capital assets	<u>\$ 31,627</u>	<u>\$ (8,277)</u>	<u>\$ -</u>	<u>\$ 23,350</u>

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy is covered under the liability and property policies of the Tiffin City School District.

<u>Coverage</u>	<u>Limits of Coverage</u>
General Liability:	
Per occurrence	\$1,000,000
Aggregate	2,000,000
Fire Damage Liability	300,000

Settled claims have not exceeded this commercial coverage in the past year. There have been no significant reductions in insurance coverage from last year.

NOTE 7 - FISCAL AGENT AND PAYMENTS TO SPONSOR

The Academy does not employ any individuals within the Academy itself. All employees are employed by the Sponsor.

The sponsorship agreement states the Academy shall acquire the services of a qualified fiscal officer. The Treasurer of the Tiffin City School District serves as the Treasurer of the Academy. The sponsorship agreement states, the Academy shall perform the following functions:

- Maintain the financial records of the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- Comply with the policies and procedures regarding internal financial control of the Academy; and,
- Comply with the requirements and procedures for financial audits by the Auditor of State.

In addition, the sponsorship agreement states the Academy shall secure the services of an Executive Director who shall be the chief operating officer of the Academy. This position is filled by the Director of Secondary Instruction/Personnel of the Sponsor, the Tiffin City School District.

The Academy shall pay to the Sponsor such other amounts as are mutually agreed, including fees for any services provided to the Academy by the Sponsor. During the year ended June 30, 2008, the Academy paid \$149,624 to the Tiffin City School District. The expenses were primarily related to salaries and benefits.

The Sponsor also provides educational support through the Sponsor's informational technology and pupil services departments.

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

NOTE 8 - CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The Academy entered into a contract for fiscal year 2008 with Tri-Rivers Educational Computer Association (TRECA). Under the contract, the following terms were agreed upon:

- TRECA shall provide the Academy with instructional, supervisory/administrative, and technical services sufficient to substantially implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the Academy, with primary responsibility for day-to day operations of the Academy.
- Curricular services provided by TRECA shall be limited to the basic standardized curriculum developed by TRECA. Basic services do not include special education and related services.
- The Academy shall pay TRECA \$3,650 per full-time student. Part-time students may be enrolled on such terms as agreed to by the parties.

For fiscal year 2008, \$86,721 was paid to TRECA.

To obtain TRECA's audited June 30, 2008 financial statements please contact Scott Armstrong, Treasurer, at scott@treca.org.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Academy is a component unit of the Sponsor. The Academy and the Sponsor entered into a sponsorship agreement, whereby terms of the sponsorship were established. The Treasurer of the Sponsor serves as the Treasurer of the Academy, the Director of Secondary Instruction/Personnel of the Sponsor also serves as the Executive Director of the Academy, and other employees of the Sponsor provide additional services to the Academy.

Payments to the following related parties were as follows:

Tiffin City School District (Sponsor)	<u>\$ 149,624</u>
Total	<u><u>\$ 149,624</u></u>

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO**

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

NOTE 10 - CONTINGENCIES

A. Grants

The Academy received 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

B. Full-Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

For fiscal year 2008, the result of this review resulted in an underpayment of Foundation Revenue of \$857, and is reported as an intergovernmental receivable on the financial statements at June 30, 2008.

C. Litigation

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

The Academy is involved in no other litigation as either plaintiff or defendant.

NOTE 11 - TAX EXEMPT STATUS

The Academy's legal counsel issued a tax opinion stating the Academy is not required to pay federal income tax or file federal tax returns because it qualifies as an integral part of the Tiffin City School District which is a political subdivision of the State of Ohio. The tax opinion also indicates that as a further protection, they structured the Academy's incorporation documents in such a way that, in the unlikely event the Internal Revenue Service ever reaches a contrary conclusion regarding the Academy's tax status, the Academy should qualify as a tax-exempt organization under either Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, retroactive to the date of incorporation. Thus, the Academy should avoid liability for any taxes or penalties imposed by the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Board of Directors
Tiffin City Schools Digital Academy
244 S Monroe Street
Tiffin, OH 44883-2906

We have audited the financial statements of Tiffin City Schools Digital Academy, Seneca County, Ohio, (a component unit of Tiffin City School District) as of and for the fiscal year ended June 30, 2008 and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Tiffin City Schools Digital Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tiffin City Schools Digital Academy's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Tiffin City Schools Digital Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tiffin City Schools Digital Academy'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 Tiffin City Schools Digital Academy's financial statements that is more than inconsequential will not be prevented or detected by Tiffin City Schools Digital Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Tiffin City Schools Digital Academy's internal control.

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

Board of Directors
Tiffin City Schools Digital Academy

Compliance and Other Matters

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

We noted a certain other matter that we reported to the management of Tiffin City Schools Digital Academy in a separate letter dated January 30, 2009.

This report is intended solely for the information and use of the management and Board of Directors of Tiffin City Schools Digital Academy and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
January 30, 2009

TIFFIN CITY SCHOOLS DIGITAL ACADEMY
(A Component Unit of Tiffin City School District)
SENECA COUNTY, OHIO
JUNE 30, 2008

STATUS OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-TCSDA-001	Significant Deficiency/Material Weakness - Errors were noted in the financial statements that required six material audit adjustments.	Yes	N/A



Mary Taylor, CPA
Auditor of State

TIFFIN CITY SCHOOLS DIGITAL ACADEMY
SENECA 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
MARCH 17, 2009



Mary Taylor, CPA
Auditor of State

TIFFIN CITY SCHOOLS DIGITAL ACADEMY
SENECA COUNTY

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CERTIFIED
MARCH 17, 2009