

**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, 2009*

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, 2008 through June 30, 2009. 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

January 19, 2010

This Page is Intentionally Left Blank.

**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, 2009**

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

This Page is Intentionally Left Blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Board of Directors
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, 2009, 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, 2009, 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 December 18, 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.

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

Julian & Grube, Inc.
December 18, 2009

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. 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 2009 are as follows:

- In total, net assets were \$216,767 at June 30, 2009.
- The Academy had operating revenues of \$220,773, operating expenses of \$230,954 and non-operating revenues of \$10,237 for fiscal year 2009. Total change in net assets for the fiscal year was an increase of \$56.

Using the 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
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

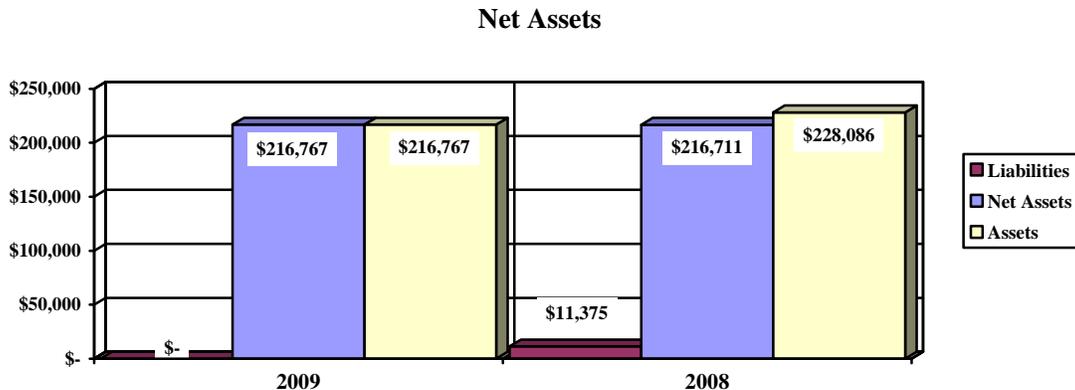
Table 1 provides a summary of the Academy's net assets for fiscal year 2009 and 2008:

	(Table 1) Net Assets	
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets	\$ 201,694	\$ 204,736
Capital assets, net	<u>15,073</u>	<u>23,350</u>
Total assets	<u>216,767</u>	<u>228,086</u>
<u>Liabilities</u>		
Current liabilities	<u>-</u>	<u>11,375</u>
Total liabilities	<u>-</u>	<u>11,375</u>
<u>Net Assets</u>		
Invested in capital assets	15,073	23,350
Restricted	10,268	21,643
Unrestricted	<u>191,426</u>	<u>171,718</u>
Total net assets	<u>\$ 216,767</u>	<u>\$ 216,711</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Academy's net assets totaled \$216,767.

A portion of the Academy's net assets, \$10,268, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$191,426 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 2009 and 2008.



**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Table 2 shows the changes in net assets for fiscal year 2009, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2009	2008
<u>Operating Revenues:</u>		
Foundation payments	\$ 220,678	\$ 250,421
Tuition and fees	95	-
Total operating revenue	220,773	250,421
<u>Operating Expenses:</u>		
Purchased services	213,281	212,270
Materials and supplies	802	67,102
Depreciation	8,277	8,277
Other	8,594	6,938
Total operating expenses	230,954	294,587
<u>Non-Operating Revenues:</u>		
Federal grants	7,237	39,828
State grants	3,000	3,000
Other non-operating revenues	-	77
Total non-operating revenues	10,237	42,905
Change in net assets	56	(1,261)
Net assets beginning of year	216,711	217,972
Net assets at end of year	\$ 216,767	\$ 216,711

Capital Assets

At June 30, 2009, the Academy had \$15,073 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.

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 Patricia Penny, Treasurer, at Tiffin City Schools Digital Academy, 244 S. Monroe St., Tiffin, Ohio 44883-2906.

**BASIC
FINANCIAL STATEMENTS**

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
SENECA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current assets:	
Cash	\$ 200,048
Receivables:	
Accounts	1,646
Total current assets	201,694
Non-current assets:	
Capital assets, net	15,073
Total assets	216,767
Net Assets:	
Invested in capital assets	15,073
Restricted for:	
State funded programs.	10,268
Unrestricted.	191,426
Total net assets	\$ 216,767

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating revenues:	
State foundation	\$ 220,678
Other	95
	220,773
Total operating revenues.	220,773
Operating expenses:	
Purchased services.	213,281
Materials and supplies	802
Depreciation	8,277
Other.	8,594
	230,954
Total operating expenses.	230,954
Operating loss	(10,181)
Non-operating revenues:	
Federal grants.	7,237
State grants	3,000
	10,237
Total non-operating revenues	10,237
Change in net assets	56
Net assets at beginning of year	216,711
Net assets at end of year.	\$ 216,767

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOLS DIGITAL ACADEMY
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:		
Cash received from State foundation.	\$	221,535
Cash received from other revenue.		95
Cash payments to suppliers for goods and services		(226,123)
Cash payments for materials and supplies		(981)
Cash payments for other expenses		(8,594)
		<hr/>
Net cash used in operating activities		(14,068)
		<hr/>
Cash flows from noncapital financing activities:		
Federal and state grants.		20,167
		<hr/>
Net cash provided by noncapital financing activities		20,167
		<hr/>
Net increase in cash and cash equivalents		6,099
Cash at beginning of year		193,949
Cash at end of year.	\$	200,048
		<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss.	\$	(10,181)
Adjustments:		
Depreciation.		8,277
Changes in assets and liabilities:		
Increase in accounts receivable		(1,646)
Decrease in intergovernmental receivable		857
Decrease in accounts payable.		(179)
Decrease in intergovernmental payable.		(11,196)
		<hr/>
Net cash used in operating activities	\$	(14,068)
		<hr/> <hr/>

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, 2009**

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 2002-2003 academic year, as set forth in the educational plan. On September 27, 2005 the Academy entered into a new five year contract for fiscal year 2006 through 2010. 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 2009, 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, 2009**

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, 2009

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 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, Drug Free School Grant, Improving Teacher Quality and Title II-A.

I. 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, 2009

NOTE 3 - DEPOSITS

At fiscal year end June 30, 2009, the Academy's carrying amount and bank balance was \$200,048. The Academy's entire bank balance was covered by the Federal Deposit Insurance Corporation.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2009, consisted of \$1,646 in accounts receivable. All receivables are considered collectable in full.

NOTE 5 - CAPITAL ASSETS

A summary of capital assets at June 30, 2009 follows:

	<u>Balance</u> <u>6/30/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/09</u>
Furniture and equipment	\$ 41,387	\$ -	\$ -	\$ 41,387
Less: accumulated depreciation	<u>(18,037)</u>	<u>(8,277)</u>	<u>-</u>	<u>(26,314)</u>
Net capital assets	<u>\$ 23,350</u>	<u>\$ (8,277)</u>	<u>\$ -</u>	<u>\$ 15,073</u>

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</u> <u>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 any of the past two years. There have been no significant reductions in insurance coverage from last year.

**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, 2009**

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, 2009, the Academy paid \$108,081 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, 2009

NOTE 8 - CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The Academy entered into a contract for fiscal year 2009 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 \$3,875 per full-time student. Part-time students may be enrolled on such terms as agreed to by the parties.

For fiscal year 2009, \$94,577 was paid to TRECA.

To obtain TRECA's audited June 30, 2009 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)

Total	<u>\$ 108,081</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, 2009**

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, 2009.

B. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Academy owed the Ohio Department of Education \$1,962.

C. Litigation

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

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.

NOTE 12 - PURCHASED SERVICES

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional and technical services	\$ 118,142
Other purchased services	<u>95,139</u>
Total	<u><u>\$ 213,281</u></u>



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**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, 2009 and have issued our report thereon dated December 18, 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*.

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.

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

Julian & Grube, Inc.
December 18, 2009



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Accountant's Report on Applying Agreed-Upon Procedures

Tiffin City Schools Digital Academy
Seneca County
244 S. Monroe Street
Tiffin, Ohio 44883-2906

To the Board of Directors:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school”.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Tiffin City Schools Digital Academy has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 22, 2008.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Julian & Grube, Inc.
December 18, 2009



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
FEBRUARY 2, 2010