



Mary Taylor, CPA
Auditor of State

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

February 6, 2008

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 (Unaudited)

The discussion and analysis of the Tecumseh Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

Overall:

- Total net assets decreased \$300,027, which is due primarily to the School District coming to the end of their participation in the Classroom Facilities Assistance Program.
- Total assets of governmental activities increased \$.18 million, attributed almost exclusively to the decrease in intergovernmental receivables with a corresponding increase in capital assets. The decrease in intergovernmental receivables and increase in capital assets is due to the School District's participation in the Classroom Facilities Assistance program.
- General revenues accounted for \$27.6 million or 80 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions account for \$7.0 million or 20 percent of total revenues of \$34.6 million.
- Of the School District's \$34.9 million in expenses, \$7.0 million were offset by program specific charges for services, grants or contributions. General revenues (primarily unrestricted grants and entitlements and property taxes) of \$27.6 million were used to offset the net expenses of \$27.9 million.
- The General Fund, Debt Service Fund and Classroom Facilities Fund, the only major funds, had \$25.3 million, \$1.3 million and \$12.5 million in revenues, respectively, and \$25.6 million, \$ 1.3 million and \$27.7 million in expenditures, respectively. These funds represent 90 percent of the total governmental funds revenues and 92 percent of governmental fund expenditures. The General Fund's balance decreased \$328,119 over fiscal year 2006. The Debt Service fund balance did not change significantly with a increase of \$35,780. The Classroom Facilities fund balance decreased \$15.0 million as a result of expenditures associated with the Classroom Facilities Assistance program.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. However the fund financial statements provide more detailed information about the School District's most significant funds. Therefore, only the General Fund, Debt Service Fund and Classroom Facilities Fund are presented separate from other governmental funds.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Governmental Funds

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

TABLE 1
NET ASSETS (in 000's)

	<u>2007</u>	<u>2006</u>
Assets		
Current and Other Assets	\$ 27,806	\$ 51,632
Capital Assets	84,342	60,339
Total Assets	<u>112,148</u>	<u>111,971</u>
Liabilities		
Long-term Liabilities	20,791	21,238
Other Liabilities	12,017	11,094
Total Liabilities	<u>32,808</u>	<u>32,332</u>
Net Assets		
Invested in Capital Assets, Net of Debt	63,528	38,791
Restricted	12,568	38,334
Unrestricted	3,243	2,514
Total Net Assets	<u>\$ 79,339</u>	<u>\$ 79,639</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2007 the School District's net assets were \$79.3 million. Of that amount, approximately \$63.5 million was invested in capital assets, net of debt related to those assets. Another \$12.6 million was subject to external restrictions upon its use.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2007
 (Unaudited)

Table 2 shows the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

TABLE 2
 CHANGE IN NET ASSETS (in 000's)

	<u>2007</u>	<u>2006</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,974	\$ 2,051
Operating Grants and Contributions	2,984	2,424
Capital Grants and Contributions	2,023	3,542
General Revenues:		
Property Taxes	8,980	9,851
Grants and Entitlements	17,003	16,922
Other	1,656	1,459
Total Revenues	<u>34,620</u>	<u>36,249</u>
Program Expenses		
Instruction	16,897	16,511
Support Services:		
Pupils and Instructional Staff	2,981	3,039
Board of Education, Administration, Fiscal and Business	3,404	3,163
Plant Operation and Maintenance	2,835	2,653
Pupil Transportation	1,369	1,349
Central	181	124
Operation of Non-instructional services	4,774	1,659
Extracurricular Activities	506	503
Unallocated Depreciation	1,080	17
Interest and Fiscal Charges	893	867
Total Expenses	<u>34,920</u>	<u>29,885</u>
Increase (Decrease) in Net Assets	(300)	6,364
Net Assets at Beginning of Year	<u>79,639</u>	<u>73,275</u>
Net Assets at End of Year	<u>\$ 79,339</u>	<u>\$ 79,639</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 26 percent of revenues for governmental activities for the School District for fiscal year 2007. The last operating levy approved by voters in the School District occurred in 1995. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 64 percent of the School District's total revenue was received from intergovernmental sources during fiscal year 2007.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

For fiscal year 2007, total revenue reported by the School District decreased approximately \$1.6 million. Property tax revenue, charges for services and capital and operating grants combined for a decrease of approximately \$1.9 million from fiscal year 2006, while revenue from unrestricted grants (primarily the State Foundation program) interest earnings and gain from the sale of assets increased approximately \$0.3 million from the prior year.

Total expenses reported for fiscal year 2007 increased from the expenses reported in the prior fiscal year. The increase is primarily a result of increases in personnel costs (wage and benefit increases) and expenses associated with the Classroom Facilities Assistance program.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

TABLE 3
TOTAL AND COST OF PROGRAM SERVICES
(in 000's)

	2007		2006	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,897	\$ (14,907)	\$ 16,511	\$ (14,844)
Support Services:				
Pupils and Instructional Staff	2,981	(2,120)	3,039	(2,430)
Board of Education, Administration, Fiscal and Business	3,404	(3,020)	3,163	(2,845)
Plant Operation and Maintenance	2,835	(2,829)	2,653	(2,632)
Pupil Transportation	1,369	(1,277)	1,349	(1,347)
Central	181	(176)	124	(118)
Operation of Non-instructional services	4,774	(1,393)	1,659	3,452
Extracurricular Activities	506	(244)	503	(219)
Unallocated Depreciation	1,080	(1,080)	17	(17)
Interest and Fiscal Charges	893	(893)	867	(867)
Total Expenses	\$ 34,920	\$ (27,939)	\$ 29,885	\$ (21,867)

In fiscal year 2007, the School District reported \$7.0 million of program specific revenue compared with the \$8.0 million reported in the prior year. Decreases in revenue received from the Classroom Facilities Assistance Program comprise the majority of the decrease. For fiscal year 2007, program revenues of the School District were used to pay 20 percent of total expenses incurred while 80 percent of fiscal year 2007 expenses were funded with general revenues.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The School District's Funds

On the modified accrual basis of accounting, governmental funds had total revenues of \$43.9 million and expenditures of \$59.5 million. The net change in fund balance was most significant in the Classroom Facilities Fund with a decrease of \$15.0 million. As previously discussed, the change is a result of expenditures related to the School District's participation in the Classroom Facilities Assistance program.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District amended its general fund budget several times, none significant. Budgetary adjustments were required due to unanticipated increases in property tax and interest revenues. Other revenue and expenditure line items were also reviewed.

For the General Fund, budget basis revenue was \$27.0 million as compared to the original budget estimates of \$26.3 million. This difference included property tax revenues initially budgeted at \$7.8 million with budget basis revenues coming in at \$8.6 million. The budget variance in property taxes from the final budget to the actual revenue was caused by the School District receiving an advance on fiscal year 2008 taxes prior to June 30, 2007. The School District was encouraged by the County Auditor to receive the advance prior to year end or they would have to wait until the final settlement. Advances are used by many school districts to facilitate cash flow needs until final tax settlements are received, in prior years the final tax settlement had not been received until October of the following fiscal year. The School District agreed to receive the advance prior to year end due to the uncertainty of when they would receive the final settlement and the need for the tax revenue to meet the expenditures of the first few months of fiscal year 2008. The School District did not intend to use the advance to meet fiscal year 2007 expenditures, therefore the budget was not revised resulting in a variance with the final budget.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$25.6 million, \$1.4 million below revenues as well as \$.3 million below original budget estimates.

Capital Assets

At the end of fiscal year 2007 and 2006, the School District had \$84.3 million and \$60.3 million, respectively, invested in land, construction in progress, buildings, furniture and equipment, and vehicles in governmental activities.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Table 4 shows fiscal year 2007 balances compared to 2006:

TABLE 4
CAPITAL ASSETS AT JUNE 30 (in 000's)

	<u>2007</u>	<u>2006</u>
Land and Improvements	\$ 520	\$ 520
Construction in Progress	31,446	58,579
Building and Improvements	55,007	7,869
Equipment	2,003	1,208
Vehicles	2,050	2,107
Less: Accumulated Depreciation	<u>(6,683)</u>	<u>(9,944)</u>
Total	<u>\$ 84,343</u>	<u>\$ 60,339</u>

Overall capital assets increased approximately \$24.0 million from fiscal year 2006. Capital asset acquisitions during fiscal year 2007 consisted primarily of construction costs associated with the Classroom Facilities Assistance Program at a cost of \$25.2 million. Other acquisitions included school buses and miscellaneous equipment. See Note 8 to the basic financial statements for additional information.

For fiscal year 2000 and forward, Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional supplies. For fiscal year 2007, this amounts to \$518,247 for each set aside requirement. When fiscal year 2007 qualifying disbursements for the capital improvements and textbooks were netted against the cumulative set aside amounts for the year, no set aside for textbooks or capital improvements remained. See Note 17 to the basic financial statements for more information.

Debt Administration

At June 30, 2007, the School District had a five-year renewable tax anticipation note of \$1,410,000 in outstanding debt. The note was issued on March 9, 2005 for permanent improvements to be made to the School District's buildings. The debt will be repaid from proceeds of a tax levy collected by the County Auditor. Principal payments for fiscal year 2007 totaled \$339,000.

In May 2004, general obligation bonds in the amount of \$20.6 million were issued to begin renovating or replacing eight school buildings in conjunction with funding from the Ohio School Facilities Commission. The outstanding debt on the general obligation bonds at year end is \$19.4 million. Principal payments totaled \$395,000 with the balance to be paid off during fiscal year 2032.

At June 30, 2007 the School District's overall legal debt margin was \$25.5 million and the unvoted debt margin was \$0.3 million. See Note 13 and 14 to the basic financial statements for more information.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

For the Future

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Tecumseh Local Schools, 9760 W. National Road, New Carlisle, Ohio 45344 or call (937)845-3576.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents and investments	\$ 15,727,908
Cash and Cash Equivalents:	
In Segregated Accounts	2,500
Receivables:	
Property and other taxes	8,139,258
Accounts	38,903
Intergovernmental	3,678,752
Inventory of supplies and materials	117,630
Inventory held for resale	10,682
Prepaid items	9,033
Restricted Assets:	
Equity in pooled cash and cash equivalents	80,264
Non-depreciable capital assets	31,966,204
Depreciable capital assets, net	52,376,585
 Total Assets	 112,147,719
Liabilities:	
Accounts payable	286,045
Accrued wages and benefits payable	2,367,610
Compensated absences	166,650
Intergovernmental payable	895,684
Unearned revenue	6,741,707
Early retirement incentive payable	150,000
Tax anticipation note payable	1,410,000
Long Term Liabilities:	
Due within one year	562,823
Due in more than one year	20,227,836
 Total Liabilities	 32,808,355
Net Assets:	
Invested in capital assets, net of related debt	63,527,814
Restricted for:	
Endowment:	
Non-expendable	2,208
Other purpose	842,301
Capital projects	10,865,585
Debt service	858,846
Unrestricted	3,242,610
 Total Net Assets	 \$ 79,339,364

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 12,564,379	\$ 851,620	\$ 341,109	\$ -	\$ (11,371,650)
Special	2,885,755	174,441	622,416	-	(2,088,898)
Vocational	546,128	-	-	-	(546,128)
Other	900,769	-	-	-	(900,769)
Support Services:					
Pupils	1,703,650	-	589,695	-	(1,113,955)
Instructional staff	1,277,301	-	270,654	-	(1,006,647)
Board of education	93,268	-	-	-	(93,268)
Administration	2,685,636	-	208,771	-	(2,476,865)
Fiscal	608,090	-	175,852	-	(432,238)
Business	17,469	-	-	-	(17,469)
Operation and maintenance of plant	2,834,694	-	6,000	-	(2,828,694)
Pupil transportation	1,368,729	-	2,602	89,584	(1,276,543)
Central	181,513	-	5,711	-	(175,802)
Operation of non-instructional services	4,774,172	686,641	760,908	1,933,911	(1,392,712)
Extracurricular activities	506,031	261,634	-	-	(244,397)
Interest and fiscal charges	892,630	-	-	-	(892,630)
Unallocated depreciation *	1,079,865	-	-	-	(1,079,865)
Total Governmental Activities	\$ 34,920,079	\$ 1,974,336	\$ 2,983,718	\$ 2,023,495	(27,938,530)

General Revenues:

Property taxes levied for general purposes	7,031,593
Property taxes levied for capital improvements	819,677
Property taxes levied for debt service	1,128,370
Grants and entitlements not restricted to specific programs	17,003,332
Investment earnings	1,272,046
Gain on sale of assets	131,191
Miscellaneous	252,294

Total General Revenues 27,638,503

Changes in net assets (300,027)

Net assets at beginning of year 79,639,391

Net assets at end of year \$ 79,339,364

* - This amount excludes the depreciation that is included in the direct expense of the various functions.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Classroom Facilities	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 4,717,866	\$ 7,525,197	\$ 604,663	\$ 2,880,182	\$ 15,727,908
Cash and Cash Equivalents:					
In Segregated Accounts	-	-	-	2,500	2,500
Receivables:					
Taxes	6,400,699	-	1,188,333	550,226	8,139,258
Accounts	38,903	-	-	-	38,903
Intergovernmental	-	3,116,040	-	562,712	3,678,752
Due from Other Funds	90,000	-	-	-	90,000
Prepaid Items	9,033	-	-	-	9,033
Inventory of Supplies and Materials	112,119	-	-	5,511	117,630
Inventory Held for Resale	-	-	-	10,682	10,682
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	80,264	-	-	-	80,264
Total Assets	\$ 11,448,884	\$ 10,641,237	\$ 1,792,996	\$ 4,011,813	\$ 27,894,930
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 104,047	\$ 3,652	\$ -	\$ 178,346	\$ 286,045
Accrued Wages and Benefits	2,122,775	-	-	244,835	2,367,610
Intergovernmental Payable	792,077	-	-	103,607	895,684
Due to Other Funds	-	-	-	90,000	90,000
Deferred Revenue	5,841,559	1,181,858	990,167	550,727	8,564,311
Compensated Absences Payable	166,650	-	-	-	166,650
Early Retirement Incentive Payable	150,000	-	-	-	150,000
Tax Anticipation Notes Payable	-	1,023,497	-	386,503	1,410,000
Total Liabilities	9,177,108	2,209,007	990,167	1,554,018	13,930,300
<u>Fund Balances:</u>					
<u>Reserved for:</u>					
Encumbrances	327,120	6,555,187	-	803,661	7,685,968
Inventory	112,119	-	-	16,192	128,311
Property Taxes	1,392,540	-	198,165	333,231	1,923,936
Budget Stabilization	80,264	-	-	-	80,264
<u>Unreserved, Undesignated:</u>					
General Fund	359,733	-	-	-	359,733
Debt Service Fund	-	-	604,664	-	604,664
Special Revenue Funds	-	-	-	1,052,477	1,052,477
Capital Projects Funds	-	1,877,043	-	250,026	2,127,069
Permanent Fund	-	-	-	2,208	2,208
Total Fund Balances	2,271,776	8,432,230	802,829	2,457,795	13,964,630
Total Liabilities and Fund Balances	\$ 11,448,884	\$ 10,641,237	\$ 1,792,996	\$ 4,011,813	\$ 27,894,930

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances:		\$	13,964,630
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			84,342,789
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			1,822,604
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.			
Compensated Absences	(1,385,684)		
General Obligation Bonds Payable	(19,404,975)		
Total			<u>(20,790,659)</u>
Net Assets of Governmental Activities		\$	<u><u>79,339,364</u></u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	Classroom Facilities	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 6,971,963	\$ -	\$ 1,120,681	\$ 812,348	\$ 8,904,992
Intergovernmental	17,003,331	11,552,609	171,371	2,834,409	31,561,720
Interest	258,884	969,659	-	43,503	1,272,046
Tuition and Fees	1,026,061	-	-	-	1,026,061
Charges for Services	-	-	-	686,641	686,641
Extracurricular Activities	-	-	-	261,634	261,634
Miscellaneous	47,648	350	-	180,372	228,370
Total Revenues	25,307,887	12,522,618	1,292,052	4,818,907	43,941,464
Expenditures:					
Current:					
Instruction:					
Regular	12,100,442	1,263,978	-	561,032	13,925,452
Special	2,149,483	-	-	728,183	2,877,666
Vocational	553,856	-	-	-	553,856
Other Instruction	846,058	-	-	54,711	900,769
Support Services:					
Pupils	1,275,264	-	-	428,441	1,703,705
Instructional Staff	1,055,113	-	-	236,899	1,292,012
Board of Education	93,268	-	-	-	93,268
Administration	2,401,866	237,956	-	269,129	2,908,951
Fiscal	565,513	-	23,348	14,828	603,689
Business	17,469	-	-	-	17,469
Plant Operation and Maintenance	2,775,830	28,251	-	93,068	2,897,149
Pupil Transportation	1,270,067	-	-	44,088	1,314,155
Central	178,532	-	-	2,981	181,513
Non-Instructional Services	10,408	26,165,490	-	2,265,140	28,441,038
Extracurricular Activities	351,279	-	-	152,590	503,869
Debt Service:					
Principal Retirement	-	-	395,000	-	395,000
Interest and Fiscal Charges	-	-	837,924	54,706	892,630
Total Expenditures	25,644,448	27,695,675	1,256,272	4,905,796	59,502,191
Excess of Revenues Over(Under) Expenditures	(336,561)	(15,173,057)	35,780	(86,889)	(15,560,727)
Other Financing Sources:					
Proceeds from Sale of Assets	8,442	169,301	-	108,563	286,306
Total Other Financing Sources	8,442	169,301	-	108,563	286,306
Change in Fund Balance	(328,119)	(15,003,756)	35,780	21,674	(15,274,421)
Fund Balance at Beginning of Year	2,599,895	23,435,986	767,049	2,436,121	29,239,051
Fund Balance at End of Year	<u>\$ 2,271,776</u>	<u>\$ 8,432,230</u>	<u>\$ 802,829</u>	<u>\$ 2,457,795</u>	<u>\$ 13,964,630</u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	(15,274,421)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 outlay exceeded depreciation in the current period.</p>		
Capital asset additions		25,387,123
Current year depreciation		<u>(1,253,073)</u>
Total		24,134,050
<p>In the statement of activities, only the gain on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.</p>		
		(131,191)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(9,476,527)
<p>Repayment of long-term obligations is reported as an expenditure in the governmental funds but the repayment reduces long term liabilities in the statement of net assets.</p>		
General Obligation Bond		395,000
<p>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 governmental funds.</p>		
Compensated absences payable		<u>53,062</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(300,027)</u></u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:				
Taxes	\$ 7,815,031	\$ 7,780,723	\$ 8,614,123	\$ 833,400
Intergovernmental	17,216,412	17,003,332	17,003,332	-
Interest	235,400	265,099	265,099	-
Tuition and Fees	995,142	1,030,754	1,030,754	-
Gifts and Donations	6,900	110	110	-
Miscellaneous	7,659	47,537	47,537	-
Total Revenues	<u>26,276,544</u>	<u>26,127,555</u>	<u>26,960,955</u>	<u>833,400</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,057,961	12,033,636	12,033,636	-
Special	1,962,236	2,138,562	2,138,562	-
Vocational	550,086	570,301	570,301	-
Other Instruction	1,061,013	851,805	851,805	-
Support Services:				
Pupils	1,300,332	1,270,058	1,270,058	-
Instructional Staff	1,059,797	1,038,634	1,038,634	-
Board of Education	146,057	63,500	63,500	-
Administration	2,417,141	2,385,353	2,385,353	-
Fiscal	587,230	570,680	570,680	-
Business	43,606	38,284	38,284	-
Plant Operation and Maintenance	3,029,346	2,825,151	2,825,151	-
Pupil Transportation	1,221,727	1,259,522	1,259,522	-
Central	97,174	179,323	179,323	-
Non-Instructional Services	55,706	51,721	51,721	-
Extracurricular Activities	312,971	326,321	326,321	-
Total Expenditures	<u>25,902,383</u>	<u>25,602,851</u>	<u>25,602,851</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>374,161</u>	<u>524,704</u>	<u>1,358,104</u>	<u>833,400</u>
Other Financing Sources (Uses):				
Insurance Proceeds	-	8,442	8,442	-
Sale and Loss of Assets	5,000	-	-	-
Advances Out	-	(90,000)	(90,000)	-
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>(81,558)</u>	<u>(81,558)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>379,161</u>	<u>443,146</u>	<u>1,276,546</u>	<u>833,400</u>
Fund Balance at Beginning of Year	2,595,970	2,595,970	2,595,970	-
Prior Year Encumbrances Appropriated	503,443	503,443	503,443	-
Fund Balance at End of Year	<u>\$ 3,478,574</u>	<u>\$ 3,542,559</u>	<u>\$ 4,375,959</u>	<u>\$ 833,400</u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2007**

	<u>AGENCY FUND</u>
<u>Assets:</u>	
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>90,353</u>
Total Assets	\$ <u><u>90,353</u></u>
<u>Liabilities</u>	
Liabilities:	
Due to Students	<u>90,353</u>
Total Liabilities	\$ <u><u>90,353</u></u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Tecumseh Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established in 1875 through the consolidation of existing land areas and school districts. The District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 172 non-certified employees, 241 certificated personnel and 18 administrative employees who provide services to 3,642 students and other community members. The District currently operates 6 instructional buildings, 1 administrative building and 1 garage.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The District is associated with seven organizations, which are defined as jointly governed and one insurance purchasing pool. These organizations are discussed in Note 15 and 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tecumseh Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis Of Presentation

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

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 statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function 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.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. 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.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt issued to pay for the local share of the Classroom Facilities Assistance Program.

Classroom Facilities

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

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no funds, which are classified as trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund is used to account for resources that belong to various student groups in the District.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. 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. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

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

E. Budget Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The original contribution to the permanent fund is invested separately.

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For purposes of the presentation on the financial statement, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$258,884 which includes the general funds allocation as well as the allocations of all funds not specified in the Board's resolution. The Classroom Facilities Fund had interest earnings of \$969,659. The non-major funds also earned interest in the amount of \$43,503.

G. Inventory

On government-wide financial statements, inventories are presented at the lower 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, donated food, and purchased food. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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 is reported in the year in which services are consumed.

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the purchase of textbooks and instructional materials and the creation of a reserve for budget stabilization. See Note 17 for additional information regarding set-sides.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

K. Capital Assets and Depreciation

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

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

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or 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. Interfund transfers are reported as other financing sources and uses in governmental funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statement.

M. Compensated Absences

Vacation benefits are accumulated throughout the year; however, vacation time may not be carried from one year to the next. Employees with accrued vacation balances at June 30, 2007 receive a cash payout on the last payroll check of the fiscal year. Therefore, no accrual has been recorded for vacation leave at the District.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated sick leave for all employees after ten years of current service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to employees who were retired at June 30, 2007 but were not paid as of that date. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

N. Accrued Liabilities and Long-Term Obligations

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

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

O. 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.

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

P. Fund Balance Reserves

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds have fund equity deficits as of June 30, 2007:

	<u>Deficit Fund Equity</u>
Non-major Governmental Funds Title I	\$ 191

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2008. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 - 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.

	<u>General Fund</u>
GAAP Basis	\$ (328,119)
Revenue Accruals	1,653,068
Expenditure Accruals	(376,809)
Encumbrances	418,406
Advances	(90,000)
Budget Basis	<u>\$ 1,276,546</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Monies held by the District are classified by State statute into three categories.

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

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. 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 \$9,988,080 and the bank balance was \$11,676,980. \$100,000 of the bank balance was covered by federal depository insurance and \$11,576,980 was collateralized with securities held by the pledging financial institution's agent in the District's name.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the District to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. During fiscal year 2007, the District's invested in U.S. Treasury Obligations, Federal Farm Credit Bank Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds and Notes and Federal National Mortgage Association Bonds and Notes.

As of June 30, 2007 the District has the following investments:

	Fair Value	Investment Maturity (in Years)		Standard & Poor's Rating
		Less than 1	1-2	
Federal Home Loan Mortgage Corporation (FHLMC)	3,343,526	3,253,958	89,568	AAA
Federal National Mortgage Association (FNMA)	229,602	189,690	39,912	AAA
Federal Home Loan Bank (FHLB)	1,791,214	1,626,486	164,728	AAA
Federal Farm Credit Bank	65,012	-	65,012	AAA
FNMA Discount Note	88,611	88,611	-	A-1+
FHLMC Discount Note	270,224	270,224	-	A-1+
U.S. Treasury Notes	119,532	119,532	-	N/A
Money Market	5,224	5,224	-	N/A
	<u>5,912,945</u>	<u>5,553,725</u>	<u>359,220</u>	

At year-end, Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Corporation Bonds represented 30.29 percent and 56.55 percent, respectively, of the District's total investments.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2005 were levied after April 1, 2005 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$1,392,540 in the general fund, \$198,165 in the debt service fund and \$333,231 in the non-major funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<u>2007 First Half Collections</u>		<u>2006 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 269,380,440	92.22%	\$ 257,398,370	90.44%
Public Utility	9,481,350	3.24%	9,630,050	3.38%
Tangible Personal Property	<u>13,253,390</u>	<u>4.54%</u>	<u>17,560,470</u>	<u>6.18%</u>
Total Assessed Value	<u>\$ 292,115,180</u>	<u>100%</u>	<u>\$ 284,588,890</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.84		\$45.84	

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of current and delinquent property taxes, accounts (student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables recorded in nonmajor governmental funds were as follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Food Service	84,293
Ohio Reads	8,157
Miscellaneous State Grants	40,820
Title I - Immigrant	50,212
Title VI-B Grant	234,898
Title III	8,997
Title I	65,958
Title VI	664
Title II-A	23,315
Miscellaneous Federal Grants	45,398
Total Intergovernmental Receivables	<u>562,712</u>

The intergovernmental receivable of \$3,116,040 in the classroom facilities fund is a result of the District participating in the School Facilities Commission Program.

NOTE 8 - CAPITAL ASSETS

	<u>Balance</u> 6/30/06	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/07
<u>Capital Assets, not being depreciated</u>				
Land	\$ 520,022	-	-	\$ 520,022
Construction in Progress	58,579,267	25,220,269	(52,353,354)	31,446,182
	<u>59,099,289</u>	<u>25,220,269</u>	<u>(52,353,354)</u>	<u>31,966,204</u>
<u>Capital Assets, being depreciated</u>				
Buildings and Improvements	7,869,750	51,318,388	(4,181,506)	55,006,632
Furniture and Equipment	1,208,159	1,138,873	(343,669)	2,003,363
Vehicles	2,107,253	62,947	(120,146)	2,050,054
	<u>11,185,162</u>	<u>52,520,208</u>	<u>(4,645,321)</u>	<u>59,060,049</u>
<u>Less: Accumulated Depreciation</u>				
Buildings and Improvements	(7,580,871)	(1,029,020)	4,176,693	(4,433,198)
Furniture and Equipment	(1,079,165)	(86,061)	225,341	(939,885)
Vehicles	(1,284,485)	(137,992)	112,096	(1,310,381)
	<u>(9,944,521)</u>	<u>(1,253,073) *</u>	<u>4,514,130</u>	<u>(6,683,464)</u>
Governmental Activities Capital Assets, Net	<u>\$ 60,339,930</u>	<u>76,487,404</u>	<u>(52,484,545)</u>	<u>84,342,789</u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - CAPITAL ASSETS (Continued)

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	3,108
Special	650
Vocational	864
Support Services:	
Pupils	1,875
Instructional Staff	684
Administration	7,098
Fiscal	988
Operation and Maintenance of Plant	21,283
Pupil Transportation	132,940
Operation of Non-Instructional Services	2,690
Extracurricular Activities	1,028
	<u>173,208</u>
Unallocated Depreciation	1,079,865
Total Depreciation Expense	<u>1,253,073</u>

Unallocated depreciation is depreciation of the individual school buildings throughout the District which essentially serve all functions/programs, and therefore is not included as a direct expense of any function or program but disclosed as a separate expense.

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted with Marsh USA, Inc. for property, general liability and automobile insurance. Coverage provided by Marsh USA, Inc. is as follows:

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

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2007, the District participated in the Southwest Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 16). 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 saving 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 ensures 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 CompManagement, Inc., provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were 601,808, \$538,585 and \$651,918 respectively; 40.0 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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 member 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,880,681, \$1,813,417 and \$1,777,177, respectively; 83.1 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$6,861 made by the School District and \$10,755 made by the plan members.

NOTE 11 – POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$134,334 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$190,807.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

Accumulated Unpaid Sick Leave

Sick leave may be accumulated up to a maximum of 220 days for all district employees. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of thirty-five days for all employees with ten or more years of current service with the District. Twelve percent of the remaining accrued but unused sick leave is paid, not to exceed nine days. The total obligation for sick leave accrual for the District as a whole as of June 30, 2007 was \$1,552,334.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Early Retirement Incentive

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

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

B. Health Care Benefits

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

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Balance 6/30/06	Additions	Deductions	Balance 6/30/07	Amounts Due in One Year
Compensated Absences	\$ 1,438,746	-	53,062	\$ 1,385,684	\$ 137,823
General Obligation Bonds Payable	19,799,975	-	395,000	19,404,975	425,000
Total Governmental Activities	\$ 21,238,721	-	448,062	\$ 20,790,659	\$ 562,823

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The District issued general obligation bonds for the construction and renovation of school buildings. The bonds have a variable interest rate ranging from 2.00% to 4.75% and mature in fiscal year 2032.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The District's debt service requirements at June 30, 2007 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate (%)</u>
2008	425,000	828,699	2.250
2009	445,000	818,077	2.625
2010	470,000	805,421	3.250
2011	495,000	790,563	3.500
2012	525,000	773,331	3.750
2013-2017	3,140,000	3,526,260	4.100 - 4.625
2018-2022	2,039,975	4,995,075	4.625 - 4.750
2023-2027	5,070,000	2,244,528	4.750
2028-2032	<u>6,795,000</u>	<u>844,194</u>	4.750
Total	\$ <u>19,404,975</u>	\$ <u>15,626,148</u>	

The District's overall legal debt margin was \$25,485,030 with an unvoted debt margin of \$292,115 and an energy conservation debt margin of \$2,629,037 at June 30, 2007.

NOTE 14 - SHORT-TERM OBLIGATION

The following is a summary of the note activity for the School District for the year ended June 30, 2007:

	<u>Balance</u> <u>6/30/06</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/07</u>
Tax Anticipation Note, 3.35%	\$ <u>1,749,000</u>	<u>-</u>	<u>(339,000)</u>	\$ <u>1,410,000</u>

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA \$83,896 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). SOEPC is made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2007, the District paid \$1,696 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation organized 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 within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

All member districts are obligated to pay all fees, charges or other assessments as established by 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 the fiscal year 2007, the District paid \$4,395 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council

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

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The District does not pay dues since the Clark County Educational Service Center represents the District.

Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Robert Suver, who serves as Treasurer, at 1345 Lagonda Ave, Springfield, Ohio 45503.

Springfield-Clark Career Technology Center

The Springfield-Clark Career Technology Center (the CTC) is a legally separate body politic and corporate. The Board of the CTC consists of one representative from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District and the Clark County Educational Service Center; and two members from the Springfield City School District. The Tecumseh Local School District is not able to impose its will on the CTC and no financial benefit/burden relationship exists. The CTC Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the vocational school. During fiscal year 2007, the District did not contribute any money to the CTC. To obtain financial information, write to the Springfield-Clark Career Technology Center, Pam Mustovich, who serves as Treasurer, at 1901 Selma Road, Springfield, Ohio 45505.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Tecumseh Education Foundation

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

The District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District did not contribute any money to the TEF during fiscal year 2007. To obtain financial information, write to the Tecumseh Educational Foundation, Kevin Harmon, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

Miami Valley Special Education Regional Resource Center

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

NOTE 16 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Although the District had qualifying offsets and disbursements during the year that reduced the set-aside amount below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement of future years. Excess disbursements related to the textbook reserve may be carried forward from year to year. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	\$ (405,722)	\$ -	\$ 80,264
Current Year Set-aside Requirement	518,247	518,247	-
Qualifying Disbursements	(872,261)	(28,178,856)	-
Current Year Offsets	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>(759,736)</u>	<u>(27,660,609)</u>	<u>80,264</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$ <u>(759,736)</u>	\$ <u>-</u>	\$ <u>80,264</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The portion of monies which had previously accumulated in the budget stabilization reserve that were not related to workers' compensation rebates received by the District, are now available for ordinary operating costs incurred by the District and therefore are reported as unreserved and undesignated fund balance in the General Fund. Current State statute requires the District to continue reporting funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent. As the District's budget stabilization account is comprised entirely of workers' compensation rebate funds, the entire \$80,264 is maintained on the governmental funds' balance sheet as a reservation of fund balance and restricted "equity in pooled cash and cash equivalents" in the General Fund.

NOTE 18 – INTERFUND TRANSACTIONS

The General Fund advanced \$90,000 to nonmajor special revenue funds to cover costs incurred in those funds where grant revenues had not been received at fiscal year end. These interfund balances will be repaid once the anticipated grant revenues are received. All interfund balances are expected to be repaid within one year.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 19 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

NOTE 20 – CONTRACT COMMITMENTS

At June 30, 2007 the District had the following contract commitments as a result of the District’s participation in the School Facilities Commission Program:

<u>Contractor</u>	<u>Amount</u>
Area Energy & Electric	360,600
Central Fire Protection	36,537
ESCO Technologies	128,698
Farnham Equipment Co.	34,041
Howards Sheet Metal	360,592
Innovative Energy Solutions	55,117
Klechner Environmental	272,410
Kendell Construction	2,319,398
McQuay	1,001,422
Norwood Door & Hardware	26,060
Ohio Valley Integration	13,641
Peterson Const	176,909
Pete Miller	90,235
Saturn Electric	123,877
Settle Muter Electric	58,481
Shook Masonary	232,364
SHP	145,325
Staffco Construction	193,748
Thomas & Marker	22,500
TP Mechanical	70,315
VCT	88,949
Total	<u>\$ 5,811,219</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Food Donation	10.550	N/A		\$74,842		\$74,842
Nutrition Cluster:						
School Breakfast Program	10.553	05-PU-06 05-PU-07	\$17,049 72,051		\$17,049 72,051	
Total School Breakfast Program			89,100		89,100	
National School Lunch Program	10.555	LL-P1-06 LL-P1-07 LL-P4-05 LL-P4-06	501 3,719 67,703 280,395		501 3,719 67,703 280,395	
Total National School Lunch Program			352,318		352,318	
Total Nutrition Cluster			441,418		441,418	
Total U.S. Department of Agriculture			441,418	74,842	441,418	74,842
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-06 C1-S1-07	427,527		60,970 415,333	
Total Title I Grants to Local Educational Agencies			427,527		476,303	
Migrant Education State Grant Program	84.011	MG-S1-06 MG-S1-07	43,399 65,476		48,503 55,038	
Total Migrant Education State Grant Program			108,875		103,541	
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SD-06 6B-SF-06 6B-SF-07	3,862 82,779 670,188		4,582 120,439 754,928	
Total Special Education Grants to States			756,829		879,949	
<i>Passed through Clark County Educational Service Center</i>						
Special Education Preschool Grants	84.173	N/A	30,928		30,928	
Total Special Education Cluster			787,757		910,877	
<i>Passed through Ohio Department of Education</i>						
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-07	13,024		13,024	
Twenty-First Century Community Learning Centers	84.287	T1-S1-06 T1-S1-07	15,686 111,266		16,740 108,970	
Total Twenty-First Century Community Learning Centers			126,952		125,710	
State Grants for Innovative Programs	84.298	C2-S1-07	4,412		4,295	
Education Technology State Grants	84.318	TJ-S1-06	3,917		2,439	
English Language Acquisition Grants	84.365	T3-S1-07	18,159		15,768	
Improving Teacher Quality State Grants	84.367	TR-S1-06 TR-S1-07	17,277 152,315		21,569 139,352	
Total Improving Teacher Quality State Grants			169,592		160,921	
Total U.S. Department of Education			1,660,215		1,812,878	
U.S. Department of Health and Human Services						
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance - Total U.S. Department of Health and Human Services	93.778	N/A	333			
Total Federal Financial Assistance			\$2,101,966	\$74,842	\$2,254,296	\$74,842

See accompanying notes to the Federal Awards Expenditures Schedule.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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

NOTE E – MEDICAL ASSISTANCE PROGRAM

The District received a fiscal year 2006 medical assistance program settlement in the amount of \$333 passed through the Montgomery County Educational Service Center, which relates to CAFS services provided during prior years.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in 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 performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 6, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

February 6, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tecumseh Local School District, Clark County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Tecumseh Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

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

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

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



Mary Taylor, CPA
Auditor of State

February 6, 2008

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA 87.027 Special Education Preschool Grants CFDA 87.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Significant Deficiency

GAAP Compilation

The District contracts with an independent public accountant (IPA) to complete its GAAP report. Completion of the GAAP report is essential for the District to properly report its financial statements. During the compilation process, the IPA incorrectly calculated various account balances.

The IPA utilizes spreadsheets to compile the District's statements on the accrual basis of accounting; however the IPA incorrectly entered information on its spreadsheet that resulted in classification and allocation errors.

On the Statement of Activities, revenues are classified as either program or general revenues. Program revenues include charges and grants/contributions which are restricted to meeting the operational or capital requirements of a particular District program while general revenues are unrestricted. Program revenues were overstated and general revenues were understated by \$3,274,412 or 9.5 percent of total revenues primarily due to the misclassification of adjustments related to the Ohio School Facilities Commission project. This also resulted in allocation errors among programs with regards to Capital and Operating Grants/Contributions. In order to properly present the financial activity, the errors have been adjusted in the audited financial statements.

The compilation process also includes calculations in order to show taxes receivable and to adjust for investment market value. To calculate taxes receivable, compilers utilize the Certificate of Estimated Resources for the next fiscal year. To adjust for market value, compilers compare cost basis amounts to market values at year end reflected on bank statements. An adjustment is made to increase or decrease the amount based on the difference. For the District's compilation, the IPA inadvertently used the fiscal year 2007 certificate and inaccurately calculated the difference between actual and market value for investments. These issues resulted in immaterial errors to taxes receivable, deferred revenue, investments, and interest.

Accurate financial statement preparation and completion is essential for proper financial reporting. The District should implement procedures to ensure timely completion of the GAAP report in order to review the report and supporting documentation prepared by the IPA. This will help the District to gain assurance the report is complete and accurate. This review should include the individual accounts, trial balances, adjusting entries, and report files. The District should refer any inaccuracies or questions to the IPA for changes and/or clarification. These procedures will help improve financial reporting and accountability as well as increase knowledge of GAAP reporting and processes.

Officials Response:

The treasurer plans to implement new controls concerning the GAAP compilation in the future. A copy of all adjusting entries created by the IPA will be reviewed by the treasurer, verifying that all reversing entries have been made. The treasurer will verify the amounts on all the supporting documentation provided to the IPA has been entered correctly, assist in the creation of the folders for the GAAP compilation, and require one day of proofing the financial statements with the IPA line by line to verify the accuracy prior to conveying the financial statements to the State Auditor. The treasurer will also verify the IPA has internal controls in completing the financial statements for Tecumseh Local School District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2008