

***TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended June 30, 2004**

***Charles E. Harris & Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Board of Education  
Tiffin City School District  
244 South Monroe Street  
Tiffin, Ohio 44883

We have reviewed the *Report of Independent Accountants* of Tiffin City School District, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 7, 2005

**This Page is Intentionally Left Blank.**

**TIFFIN CITY SCHOOL DISTRICT  
AUDIT REPORT  
For the Year Ended June 30, 2004**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1 - 2
Management's Discussion and Analysis	3 - 13
Statement of Net Assets	15
Statement of Activities	16-17
Balance Sheet – Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	20
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
Notes to the Basic Financial Statements	26 - 47
Schedule of Federal Awards Expenditures	48
Notes to the Schedule of Federal Awards Expenditures	49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	52-53
Schedule of Findings and Questioned Costs	54-55
Status of Prior Year's Citations and Recommendations	56

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Tiffin City School District  
Tiffin, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, (the District), as of and for the year ended June 30, 2004, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2005 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

*Charles E. Harris & Associates, Inc.*  
April 1, 2005

**Tiffin City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

---

The discussion and analysis of Tiffin City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

*Overall:*

- For governmental activities, net assets decreased \$1.4 million, which represents a 7.2 percent decrease from 2003. Net assets of business-type related activities increased \$104,486 or over 100 percent from 2003.
- General revenues accounted for \$19.0 million in revenue or 85.6 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.2 million or 14.4 percent of total governmental revenues of \$22.2 million.
- The District had \$23.6 million in expenses related to governmental activities; only \$3.2 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$19.0 million were adequate to provide for these programs.
- Among major funds, the general fund had \$19.3 million in revenues and \$19.5 million in expenditures. The general fund's fund balance decreased by \$987 thousand from \$1.3 million.
- Net assets for enterprise funds increased to \$166.5 thousand from \$62.0 thousand. Total enterprise expenditures were \$879 thousand; \$913 thousand of these expenses were offset by program specific charges for services, grants or contributions.



**Tiffin City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

---

**Using this Annual 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 Tiffin City 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* provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Tiffin City School District, the general fund is, by far, the most significant fund.

**Reporting the 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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" 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 District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**Tiffin City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

---

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service program and uniform school supplies are reported as business activities.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major funds begins on page 18. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions, however, these financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and 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 District's general governmental 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 difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

**Tiffin City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**  
*Unaudited*

**The District as a Whole**

***Governmental Activities***

Table 1 shows net assets for fiscal year 2004, in millions compared to 2003.

**Table 1**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets:</b>						
Current and Other Assets	\$ 12.01	\$ 17.17	\$ 0.24	\$ 0.18	\$ 12.25	\$ 17.35
Capital Assets	28.93	27.28	0.03	0.02	28.96	27.30
<i>Total Assets</i>	<u>40.94</u>	<u>44.45</u>	<u>0.27</u>	<u>0.20</u>	<u>41.21</u>	<u>44.65</u>
<b>Liabilities:</b>						
Current Liabilities	9.60	11.08	0.07	0.12	9.67	11.20
Long-term Liabilities	13.15	13.77	0.03	0.02	13.18	13.79
<i>Total Liabilities</i>	<u>22.75</u>	<u>24.85</u>	<u>0.10</u>	<u>0.14</u>	<u>22.85</u>	<u>24.99</u>
<b>Net Assets:</b>						
Invested in Capital Assets	17.22	15.08	0.03	0.04	17.25	15.12
Restricted	1.45	12.32	-	-	1.45	12.32
Unrestricted	(0.48)	(7.80)	0.14	0.02	(0.34)	(7.78)
<i>Total Net Assets</i>	<u>\$ 18.19</u>	<u>\$ 19.60</u>	<u>\$ 0.17</u>	<u>\$ 0.06</u>	<u>\$ 18.36</u>	<u>\$ 19.66</u>

The District's net assets decreased \$1.35 million during fiscal year 2004. All of this represents the degree to which the ongoing expenses increasing with the corresponding decrease in revenue.

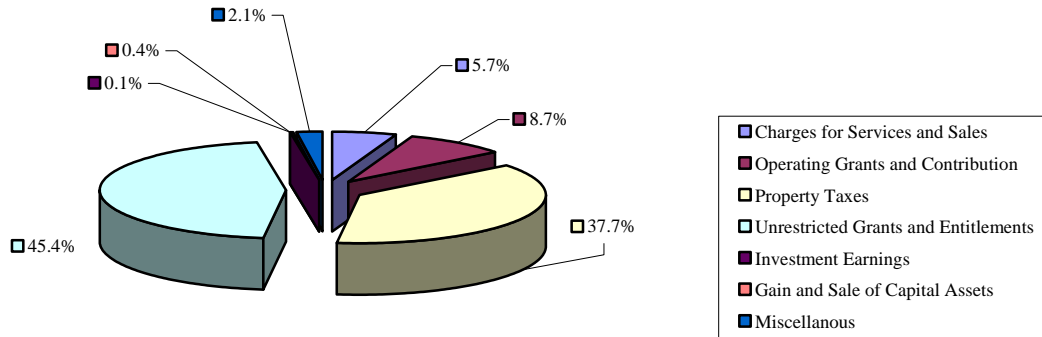
What are the District's Revenue Sources?

The following pie graph provides a summary of the District's Governmental Activities revenue sources for 2004.

**Tiffin City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**  
*Unaudited*

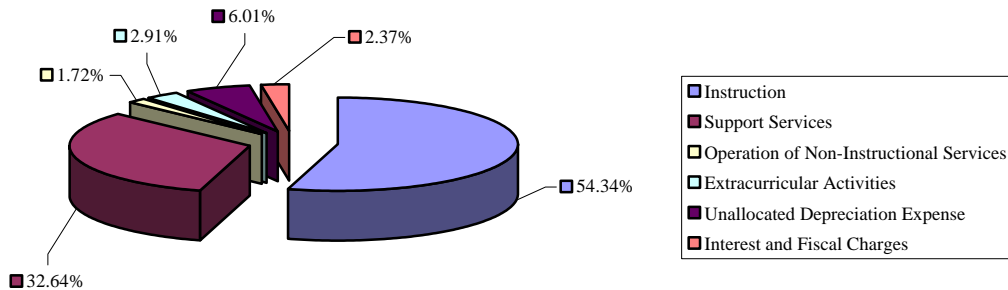
---

**Revenues - Percentage View**



Where does the District spend its revenues?

**Expenditures - Percentage View**



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. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in

**Tiffin City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**  
*Unaudited*

value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 37.7 percent of revenue for governmental activities for Tiffin City School District in fiscal year 2004, a slight increase from prior years.

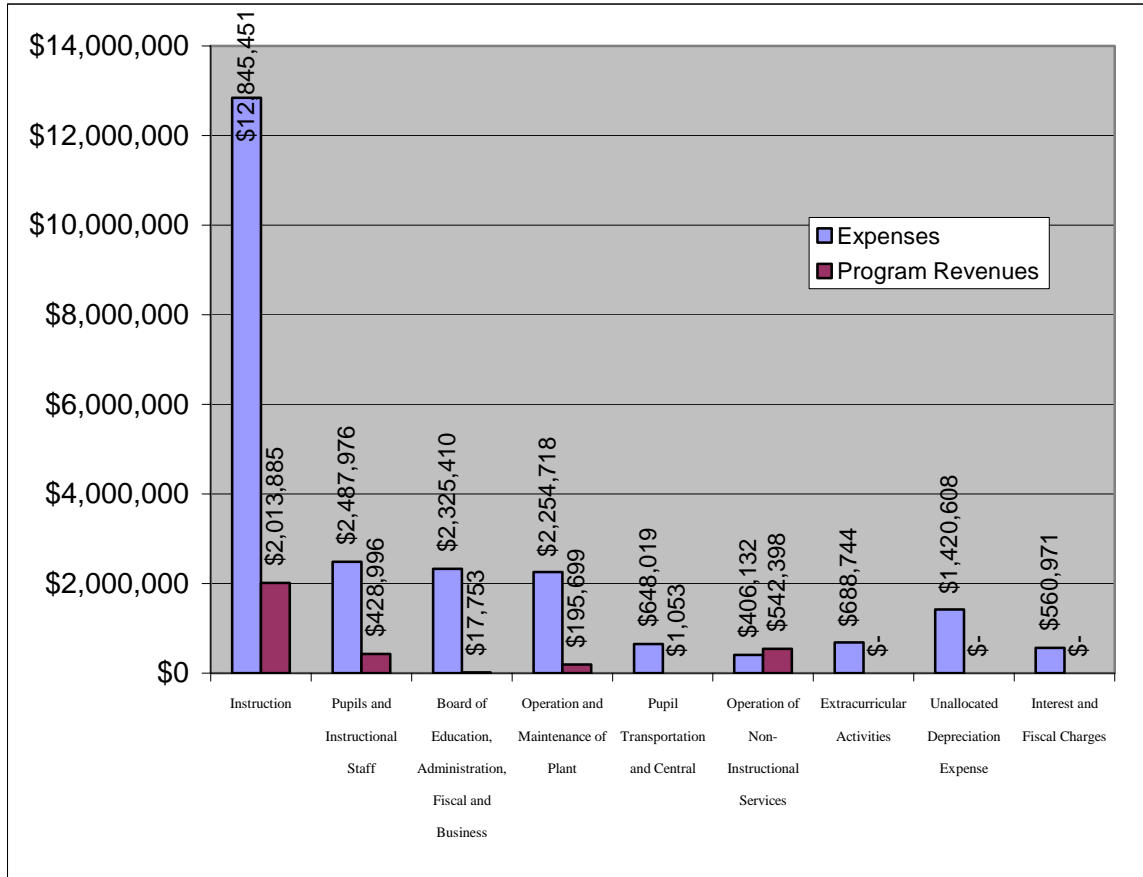
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 2 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue:</b>						
Program Revenues:						
Charges for Services and Sales	\$ 1,260,523	\$ 1,047,555	\$ 445,723	\$ 447,301	\$ 1,706,246	\$ 1,494,856
Operating Grants and Contrib.	1,751,265	1,898,691	467,122	405,897	2,218,387	2,304,588
Capital Grants and Contrib.	187,996	399,073	-	-	187,996	399,073
General Revenues:						
Property Taxes	8,405,526	9,273,167	-	-	8,405,526	9,273,167
Grants and Entitlements	10,124,443	9,987,382	-	-	10,124,443	9,987,382
Investment Earnings	16,130	118,113	1,669	432	17,799	118,545
Gain on the Sale of Assets	84,764	2,653	-	-	84,764	2,653
Transfers in	-	-	68,605	-	68,605	-
Miscellaneous	465,164	489,889	-	-	465,164	489,889
<b>Total Revenues</b>	<b>22,295,811</b>	<b>23,216,523</b>	<b>983,119</b>	<b>853,630</b>	<b>23,278,930</b>	<b>24,070,153</b>
<b>Expenses:</b>						
Instruction	12,845,451	11,967,893	-	-	12,845,451	11,967,893
Support Services	7,716,123	7,471,371	-	-	7,716,123	7,471,371
Operation of Non-instruct. Svcs.	406,132	546,023	-	-	406,132	546,023
Extracurricular Activities	688,744	597,886	-	-	688,744	597,886
Unallocated Depreciation	1,420,608	1,334,717	-	-	1,420,608	1,334,717
Interest and Fiscal Charges	560,971	574,651	-	-	560,971	574,651
Transfers out	68,605	-	-	-	68,605	-
Food Services	-	-	780,230	751,506	780,230	751,506
Uniform School Supplies	-	-	98,403	87,186	98,403	87,186
<b>Total Expenses</b>	<b>23,706,634</b>	<b>22,492,541</b>	<b>878,633</b>	<b>838,692</b>	<b>24,585,267</b>	<b>23,331,233</b>
Changes in Net Assets	(1,410,823)	723,982	104,486	14,938	(1,306,337)	738,920
Beginning Net Assets	19,604,853	18,880,871	61,972	47,034	19,666,825	18,927,905
Ending Net Assets	<b>\$ 18,194,030</b>	<b>\$ 19,604,853</b>	<b>\$ 166,458</b>	<b>\$ 61,972</b>	<b>\$ 18,360,488</b>	<b>\$ 19,666,825</b>

**Tiffin City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2004  
*Unaudited*

Expenses and Program Revenues – Governmental Activities



The dependence upon general tax revenues for governmental activities is apparent. Over 84.3 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 80.5 percent as shown in the above table. The community, as a whole, is by far the primary support for Tiffin City School District students.

***Business-Type Activities***

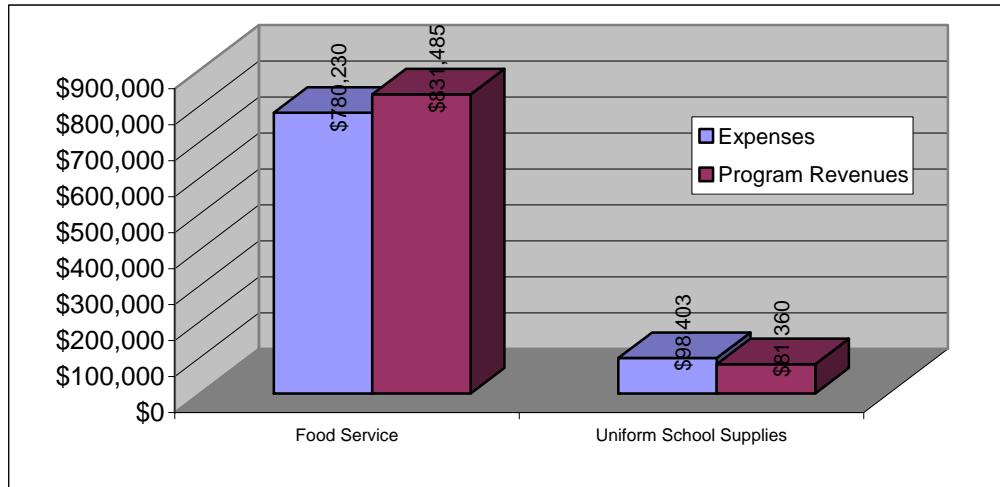
Business-type activities represent the food service and uniform school supplies fund.

Business-type activities increased the District's net assets by \$104,486, accounting for over 100 percent of an increase. Key elements of this increase are as follows:

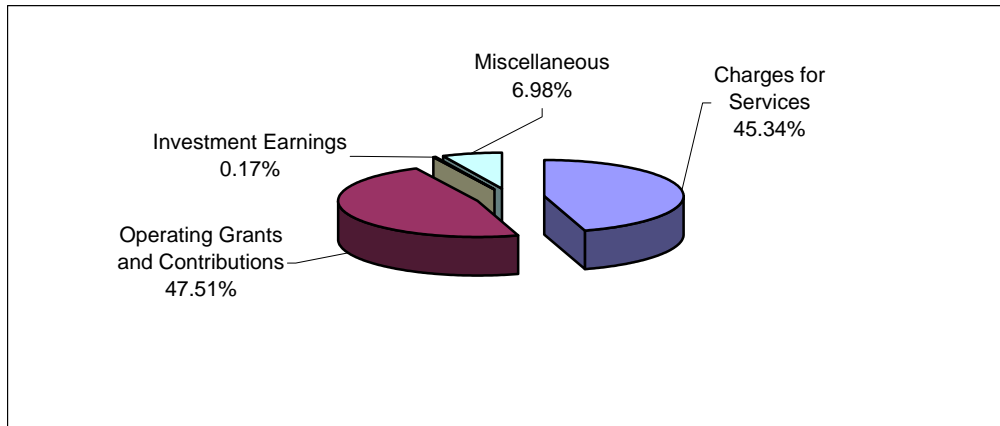
**Tiffin City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2004  
*Unaudited*

- The operating loss in the uniform school supplies fund was \$17,043. Transfers of \$68,605 were made during the year to fund the difference in expenses.

Expenses and Program Revenues- Business-type Activities



Revenues by Sources – Business-type Activities



***The District's Funds***

Information about the District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22.83 million and expenditures of \$25.68 million. The net change in fund balance for the year was most significant in the General Fund, where the fund balance decreased by \$987 thousand for fiscal year 2004.

**Tiffin City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

---

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004 the District did not amend its General Fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. The General Fund budgeted revenue decreased by \$305 thousand over the original budget estimate.

***Capital Assets***

At the end of fiscal year 2004, the District had \$28.95 million (net) invested in land, buildings, equipment and vehicles, most of which was in the governmental activities.

Table 3 shows the fiscal year 2004 net fixed asset balances for governmental type activities and business-type activities compared to the prior fiscal year.

**Table 3**

**Capital Assets**  
(Net of Accumulated Depreciation)

	<u>Governmental Type Activities</u>		<u>Business-Type Activities</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land and Improvements	\$5,069,082	\$4,691,430	\$0	\$0
Buildings	22,371,566	20,674,452	0	0
Equipment and Vehicles	<u>1,488,313</u>	<u>1,914,677</u>	<u>\$25,169</u>	<u>\$22,702</u>
<b>Totals</b>	<b><u>\$28,928,961</u></b>	<b><u>\$27,280,559</u></b>	<b><u>\$25,169</u></b>	<b><u>\$22,702</u></b>

The increase in capital assets is due to improvements to existing buildings and other normal purchases to keep staff and students up-to-date. The District continued its ongoing commitment to maintaining and improving its fixed assets.



**Tiffin City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

---

In previous years, Ohio law required districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; as well as money for a budget stabilization. The budget stabilization requirement has been rescinded. The District maintained a \$222,501 budgetary stabilization reserve and a \$176,452 reserve for textbooks.

**Debt**

Currently, the District has \$10,927,854 of Notes/Bonds Payable at June 30, 2004. For additional detail, see Note 14.

**Current Financial Related Activities**

In fiscal year 2005, the District is currently receiving the "basic aid guarantee" in the state funding formula. This means that Tiffin City Schools is currently being funded at the same level as in fiscal year 1998.

Tiffin City Schools has committed itself to financial excellence for many years. Due to loss in revenue, the District has cut programming and staff over the past few years. With its major source of revenue not keeping pace with expenditure increases, the District must continue to seek additional tax revenue to continue current operations. However, the District cannot look to the State of Ohio for increased revenue and must be on the look out for unexpected additional budget reductions initiated by the Governor. The District passed a five-mill emergency levy in August 2004. The District anticipates being back on the ballot in five years.

As the preceding information shows, the District heavily depends on its property taxpayers. The District has been able to continue its education programs. However, financially the future is not without challenges.

State law fixes the amount of budget increases, forcing it to remain nearly constant. Thus management must diligently plan expenses, staying carefully within the District's five-year forecast.

**Tiffin City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

---

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Tiffin City School District. Thus, both taxes and state revenue are fixed or declining. The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Tiffin City School District has committed itself to financial excellence for many years. The District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jenny Hedrick, Treasurer at the Tiffin City School District, 244 South Monroe Street, Tiffin, OH 44883.

## Tiffin City School District

### Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Investments	\$ 2,574,942	\$ 165,090	\$ 2,740,032
Cash and Cash Equivalents:			
With Escrow Agents	113,482	0	113,482
Receivables:			
Taxes	8,500,877	0	8,500,877
Accounts	71,481	76	71,557
Intergovernmental	281,513	25,164	306,677
Prepaid Items	71,789	0	71,789
Inventory Held for Resale	0	57,690	57,690
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	398,953	0	398,953
Land	3,970,234	0	3,970,234
Capital assets, net of depreciation	24,958,727	25,169	24,983,896
 Total Assets	 \$ 40,941,998	 \$ 273,189	 \$ 41,215,187
 <u>Liabilities:</u>			
Accounts Payable	\$ 33,058	\$ 0	\$ 33,058
Accrued Wages	1,687,334	41,190	1,728,524
Intergovernmental Payable	185,487	33,992	219,479
Deferred Revenue	7,435,450	0	7,435,450
Accrued Interest Payable	258,684	0	258,684
Long-Term Liabilities			
Due within one year	1,181,287	0	1,181,287
Due in more than one year	11,966,668	31,549	11,998,217
 Total Liabilities	 \$ 22,747,968	 \$ 106,731	 \$ 22,854,699
 <u>Net Assets:</u>			
Invested in capital assets, net of related debt	\$ 17,221,702	\$ 25,169	\$ 17,246,871
Restricted for:			
Debt Service	453,002	0	453,002
Other Purposes	1,049,563	0	1,049,563
Unrestricted (deficit)	(530,237)	141,289	(388,948)
 Total Net Assets	 \$ 18,194,030	 \$ 166,458	 \$ 18,360,488

See accompanying notes to the basic financial statements.

**Tiffin City School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
Instruction:				
Regular	\$9,445,460	\$966,386	\$286,512	\$0
Special	2,426,401	294,049	466,938	0
Vocational	179,752	0	0	0
Other	793,838	0	0	0
Support Services:				
Pupils	1,101,939	88	136,664	0
Instructional Staff	1,386,037	0	292,244	0
Board of Education	81,716	0	0	0
Administration	1,765,012	0	17,318	0
Fiscal	473,333	0	97	338
Business	5,349	0	0	0
Operation and Maintenance	2,254,718	0	8,041	187,658
Pupil Transportation	647,251	0	1,053	0
Central	768	0	0	0
Operation of Non-Instructional Services	406,132	0	542,398	0
Extracurricular Activities	688,744	0	0	0
Unallocated Depreciation Expense	1,420,608	0	0	0
Interest and Fiscal Charges	560,971	0	0	0
Total governmental activities	<u>23,638,029</u>	<u>1,260,523</u>	<u>1,751,265</u>	<u>187,996</u>
Business-Type activities:				
Food Service	780,230	364,363	467,122	0
Uniform Supplies	<u>98,403</u>	<u>81,360</u>	<u>0</u>	<u>0</u>
Total Business-Type activities	<u>878,633</u>	<u>445,723</u>	<u>467,122</u>	<u>0</u>
Total primary government	<u>\$24,516,662</u>	<u>\$1,706,246</u>	<u>\$2,218,387</u>	<u>\$187,996</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Payment in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Purposes

Unrestricted investment earnings

Gain on sale of Capital Assets

Miscellaneous

Transfers In (Out)

Total general revenues and transfers

Change in net assets

Net assets - July 1, 2003

Net assets - June 30, 2004

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$8,192,562)		(\$8,192,562)
(1,665,414)		(1,665,414)
(179,752)		(179,752)
(793,838)		(793,838)
(965,187)		(965,187)
(1,093,793)		(1,093,793)
(81,716)		(81,716)
(1,747,694)		(1,747,694)
(472,898)		(472,898)
(5,349)		(5,349)
(2,059,019)		(2,059,019)
(646,198)		(646,198)
(768)		(768)
136,266		136,266
(688,744)		(688,744)
(1,420,608)		(1,420,608)
(560,971)		(560,971)
<u>(20,438,245)</u>		<u>(20,438,245)</u>
0	51,255	51,255
<u>0</u>	<u>(17,043)</u>	<u>(17,043)</u>
<u>0</u>	<u>34,212</u>	<u>34,212</u>
(20,438,245)	34,212	(20,404,033)
7,690,053	0	7,690,053
552,014	0	552,014
163,459	0	163,459
370,887	0	370,887
9,753,556	0	9,753,556
16,130	1,669	17,799
84,764	0	84,764
465,163	0	465,163
(68,605)	68,605	0
<u>19,027,421</u>	<u>70,274</u>	<u>19,097,695</u>
(1,410,824)	104,486	(1,306,338)
<u>19,604,854</u>	<u>61,972</u>	<u>19,666,826</u>
<u>\$18,194,030</u>	<u>\$166,458</u>	<u>\$18,360,488</u>

**Tiffin City School District**

Balance Sheet  
Governmental Funds  
June 30, 2004

Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities

	General	Other Governmental Funds	Total Governmental Funds		
				Total Governmental Fund Balances	\$1,804,494
				<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
<u>Assets:</u>					
Equity in Pooled Cash and Investments	\$400,373	\$2,174,569	\$2,574,942	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,928,961
Cash and Cash Equivalents:					
With Escrow Agents	113,482	0	113,482	Other long-term assets are not available to pay current- period expenditures and therefore are deferred in the funds.	
Receivables:					
Taxes	7,614,264	886,613	8,500,877	Property Taxes	(261,225)
Accounts	67,393	4,088	71,481	Intergovernmental	(85,989)
Intergovernmental	0	281,513	281,513		347,214
Interfund Receivable	298,847	50,838	349,685		
Prepaid Items	71,789	0	71,789	Some liabilities are not due and payable in the current and therefore are note reported in the funds:	
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	398,953	0	398,953	Pension Obligation Payable	(345,986)
				Retirement Incentive Payable	(20,000)
				Compensated Absences Payable	(1,074,710)
				Capital Lease Payable	(779,405)
				G. O. Bonds and Notes Payable	(10,407,854)
				Accrued Interest Payable	(258,684)
					(12,886,639)
<b>Total Assets</b>	<b><u>\$8,965,101</u></b>	<b><u>\$3,397,621</u></b>	<b><u>\$12,362,722</u></b>	Net Assets of Governmental Activities	<b><u>\$18,194,030</u></b>
<u>Liabilities:</u>					
Accounts Payable	\$15,073	\$17,985	\$33,058		
Accrued Wages	1,534,352	152,982	1,687,334		
Interfund Payable	0	349,685	349,685		
Intergovernmental Payable	169,877	15,610	185,487		
Deferred Revenue:					
Property Taxes	6,893,937	802,738	7,696,675		
Intergovernmental Grants	0	85,989	85,989		
Notes Payable	0	520,000	520,000		
<b>Total Liabilities</b>	<b><u>\$8,613,239</u></b>	<b><u>\$1,944,989</u></b>	<b><u>\$10,558,228</u></b>		
<u>Fund Balances:</u>					
Reserved for Encumbrances	\$101,216	\$144,145	\$245,361		
Reserved for Taxes Unappropriated	720,327	83,875	804,202		
Reserved for Textbooks	176,452	0	176,452		
Reserved for Budget Stabilization	222,501	0	222,501		
Reserved for Prepays	71,789	0	71,789		
Unreserved , Reported in:					
General Fund (Deficit)	(940,423)	0	(940,423)		
Special Revenue Funds (Deficit)	0	389,473	389,473		
Debt Service Fund (Deficit)	0	393,173	393,173		
Capital Projects Funds (Deficit)	0	441,966	441,966		
<b>Total Fund Balances</b>	<b><u>\$351,862</u></b>	<b><u>\$1,452,632</u></b>	<b><u>\$1,804,494</u></b>		
<b>Total Liabilities and Fund Balances</b>	<b><u>\$8,965,101</u></b>	<b><u>\$3,397,621</u></b>	<b><u>\$12,362,722</u></b>		

See accompanying notes to the basic financial statements.

**Tiffin City School District**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities

Net Change in Fund Balances-Total Governmental Funds (\$2,831,120)

Amounts reported in governmental activities in  
the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays was over (under) depreciation in the current period.

	Capital Outlays	3,240,643	
	Depreciation	<u>(1,592,241)</u>	1,648,402

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

	Property Taxes	(423,252)	
	Grants	<u>(197,352)</u>	(620,604)

Repayment of debt and capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

			258,762
--	--	--	---------

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

			3,436
--	--	--	-------

Some expenses reported in the statment of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures governmental funds.

	Retirement Incentive	(10,000)	
	Compensated Absences	140,436	
	Pension Obligations	<u>(135)</u>	130,301

Change in Net Assets of Governmental Activities (\$1,410,823)

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$7,958,977	\$869,800	\$8,828,777
Intergovernmental	9,753,556	2,240,062	11,993,618
Investment Income	10,425	5,705	16,130
Tuition	959,487	0	959,487
Transportation Fees	64,639	0	64,639
Extracurricular Activities	0	294,049	294,049
Classroom Materials and Fees	6,899	88	6,987
Payment in Lieu of Taxes	370,887	0	370,887
Rentals	36,033	0	36,033
Miscellaneous	105,686	155,358	261,044
<b>Total Revenue</b>	<u>19,266,589</u>	<u>3,565,062</u>	<u>22,831,651</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	9,196,902	276,188	9,473,090
Special	2,001,308	418,711	2,420,019
Vocational	197,427	0	197,427
Other	793,838	0	793,838
<b>Support Services:</b>			
Pupils	868,126	227,875	1,096,001
Instructional Staff	947,975	529,479	1,477,454
Board of Education	81,716	0	81,716
Administration	1,724,164	15,237	1,739,401
Fiscal	480,814	22,272	503,086
Business	508	0	508
Operation and Maintenance	2,071,765	101,276	2,173,041
Pupil Transportation	623,865	1,100	624,965
Central	768	0	768
Operation of Non-Instructional	0	533,614	533,614
Extracurricular Activities	374,710	313,969	688,679
Capital Outlay	89,206	2,979,849	3,069,055
<b>Debt Service:</b>			
Principal Retirement	44,621	214,141	258,762
Interest and Fiscal Charges	42,198	505,308	547,506
<b>Total Expenditures</b>	<u>19,539,911</u>	<u>6,139,019</u>	<u>25,678,930</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(273,322)</u>	<u>(2,573,957)</u>	<u>(2,847,279)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	2,638	82,126	84,764
Transfers In	0	894,106	894,106
Transfers Out	(716,699)	(246,012)	(962,711)
<b>Total Other Sources (Uses)</b>	<u>(714,061)</u>	<u>730,220</u>	<u>16,159</u>
<b>Net Change in Fund Balance</b>	<u>(987,383)</u>	<u>(1,843,737)</u>	<u>(2,831,120)</u>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<u>1,339,245</u>	<u>3,296,369</u>	<u>4,635,614</u>
<b>Fund Balances (Deficits) End of Year</b>	<u>\$351,862</u>	<u>\$1,452,632</u>	<u>\$1,804,494</u>

See accompanying notes to the basic financial statements.

**Tiffin City School District**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 General Fund  
 For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes	\$ 9,239,000	\$ 8,203,146	\$ 8,203,146	\$ -
Intergovernmental	9,460,000	9,760,000	9,753,556	(6,444)
Investment Income	10,000	10,000	9,529	(471)
Tuition	530,000	960,000	959,487	(513)
Transportation Feed	60,000	60,000	58,226	(1,774)
Classroom Materials and Fees	12,000	12,000	11,486	(514)
Payment in Lieu of Taxes	300,000	301,009	311,410	10,401
Rentals	36,000	36,000	36,033	33
Miscellaneous	99,000	99,000	99,723	723
<b>Total Revenues</b>	<b>19,746,000</b>	<b>19,441,155</b>	<b>19,442,596</b>	<b>1,441</b>
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	6,609,690	6,609,690	9,244,938	(2,635,248)
Special	1,990,000	1,990,000	1,987,164	2,836
Vocational	200,000	200,000	195,743	4,257
Other	800,000	800,000	793,838	6,162
<u>Support Services:</u>				
Pupils	865,000	865,000	864,846	154
Instructional Staff	955,000	955,000	954,236	764
Board of Education	56,000	56,000	55,814	186
Administration	1,725,000	1,725,000	1,722,251	2,749
Fiscal	510,000	510,000	505,396	4,604
Business	600	600	508	92
Operation and Maintenance of Plant	2,100,000	2,100,000	2,070,279	29,721
Pupil Transportation	620,000	620,000	618,851	1,149
Central	800	800	768	32
Extracurricular Activities	380,000	380,000	372,189	7,811
Capital Outlay	90,000	90,000	89,206	794
<b>Total Expenditures</b>	<b>16,902,090</b>	<b>16,902,090</b>	<b>19,476,027</b>	<b>(2,573,937)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>2,843,910</b>	<b>2,539,065</b>	<b>(33,431)</b>	<b>(2,572,496)</b>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	-	-	2,638	2,638
Refund of Prior Year Expenditures	-	-	7,254	7,254
Transfers Out	(717,699)	(717,699)	(716,699)	1,000
Advances In	200,000	200,000	188,666	(11,334)
Advances Out	(340,000)	(340,000)	(337,866)	2,134
<b>Total Other Financing Sources (Uses)</b>	<b>(857,699)</b>	<b>(857,699)</b>	<b>(856,007)</b>	<b>1,692</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>1,986,211</b>	<b>1,681,366</b>	<b>(889,438)</b>	<b>(2,570,804)</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,588,277</b>	<b>1,588,277</b>	<b>1,588,277</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>100,487</b>	<b>100,487</b>	<b>100,487</b>	<b>-</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ 3,674,975</b>	<b>\$ 3,370,130</b>	<b>\$ 799,326</b>	<b>\$ (2,570,804)</b>

See accompanying notes to the basic financial statements.



## Tiffin City School District

### Statement of Net Assets

#### Proprietary Funds

June 30, 2004

	Business-Type Activities Enterprise Funds		Total Enterprise Funds
	Food Service	Uniform School Supplies	
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$133,496	\$31,594	\$165,090
Receivables:			
Accounts	0	76	76
Intergovernmental	25,164	0	25,164
Inventory Held for Resale	57,690	0	57,690
	216,350	31,670	248,020
Total Current Assets			
Capital Assets, (Net)	25,169	0	25,169
	\$241,519	\$31,670	\$273,189
<u>Liabilities:</u>			
Accrued Wages	\$41,190	\$0	\$41,190
Intergovernmental Payable	33,992	0	33,992
	75,182	0	75,182
Total Current Liabilities			
Long-Term Liabilities:			
Compensated Absences Payable	31,549	0	31,549
	31,549	0	31,549
Total Long-Term Liabilities			
Total Liabilities	\$106,731	\$0	\$106,731
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	\$25,169	\$0	\$25,169
Unrestricted	109,619	31,670	141,289
	\$134,788	\$31,670	\$166,458

See accompanying notes to the basic financial statements.

**Tiffin City School District**  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Proprietary Funds  
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds		Total Enterprise Funds
	Food Service	Uniform School Supplies	
<u>Operating Revenues:</u>			
Food Services	\$364,363	\$0	\$364,363
Classroom Fees	0	81,360	81,360
Total Operating Revenues	364,363	81,360	445,723
 <u>Operating Expenses:</u>			
Salaries	284,922	0	284,922
Fringe Benefits	115,511	0	115,511
Purchased Services	3,597	0	3,597
Materials and Supplies	22,988	98,403	121,391
Cost of Sales	345,810	0	345,810
Depreciation	7,402	0	7,402
Total Operating Expenses	780,230	98,403	878,633
 Operating Income (Loss)	 (415,867)	 (17,043)	 (432,910)
 <u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	152,724	0	152,724
Operating Grants	314,398	0	314,398
Interest Income	1,669	0	1,669
Total Non-Operating Revenues (Expenses)	468,791	0	468,791
 Income (Loss) before Transfers	 52,924	 (17,043)	 35,881
Transfers In	0	68,605	68,605
Change in Net Assets	52,924	51,562	104,486
Total Net Assets at Beginning of Year	81,864	(19,892)	61,972
Total Net Assets at End of Year	\$134,788	\$31,670	\$166,458

See accompanying notes to the basic financial statements.

**Tiffin City School District**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds		Total Enterprise Funds
	Food Service	Uniform School Supplies	
Increase (Decrease) in Cash and Cash Equivalents:			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$364,363	\$81,284	\$445,647
Cash Payments to Suppliers for Goods and Services	(217,707)	(98,403)	(316,110)
Cash Payments to Employees for Services	(275,133)	(0)	(275,133)
Cash Payments for Employee Benefits	(125,447)	(0)	(125,447)
Net Cash Provided by (Used in) Operating Activities	(253,924)	(17,119)	(271,043)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	243,440	0	243,440
Transfers in	0	68,605	68,605
Net Cash Provided by Noncapital Financing Activities	243,440	68,605	312,045
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>			
Payments for Capital Acquisitions	(9,869)	0	(9,869)
Net Cash Provided by Capital and Related Financing Activities	(9,869)	0	(9,869)
<u>Cash flows from Investing Activities:</u>			
Interest on Investments	1,669	0	1,669
Net Cash Provided by Investing Activities	1,669	0	1,669
Net Increase (Decrease) in Cash and Cash Equivalents	(18,684)	51,486	32,802
Cash and Cash Equivalents Beginning of Year	152,180	(19,892)	132,288
Cash and Cash Equivalents End of Year	\$133,496	\$31,594	\$165,090
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</u>			
Operating Income (Loss)	(\$415,867)	(\$17,043)	(\$432,910)
Adjustments:			
Depreciation	7,402	0	7,402
Donated Commodities Received	152,724	0	152,724
(Increase) Decrease in Assets:			
Accounts Receivable	0	(76)	(76)
Inventory Held for Resale	(11,994)	0	(11,994)
Accrued Wages	1,254	0	1,254
Compensated Absences Payable	8,535	0	8,535
Intergovernmental Payable	(9,936)	0	(9,936)
Deferred Revenue	13,958	0	13,958
Total Adjustments	161,943	(76)	161,867
Net Cash Provided by Operating Activities	(\$253,924)	(\$17,119)	(\$271,043)

See accompanying notes to the basic financial statements.

**Tiffin City School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$18,298</u>	<u>\$63,061</u>
Total Assets	<u><u>18,298</u></u>	<u><u>63,061</u></u>
<u>Liabilities</u>		
Accounts Payable	0	45
Due to Students	<u>0</u>	<u>63,016</u>
Total Liabilities	<u>\$0</u>	<u><u>\$63,061</u></u>
<u>Net Assets:</u>		
Restricted for:		
Reserved for Scholarships	<u>\$18,298</u>	
Total Net Assets	<u><u>\$18,298</u></u>	

See accompanying notes to the basic financial statements.

**Tiffin City School District**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose</u>	<u>Trust</u>
	<u>Scholarship</u>	
<u>Additions:</u>		
Interest Income		<u>358</u>
Total Additions		358
<u>Deductions:</u>		
Other		<u>800</u>
Total Deductions		<u>800</u>
Change in Net Assets		(442)
Net Assets Beginning of Year		<u>18,740</u>
Net Assets End of Year		<u><u>\$18,298</u></u>

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Tiffin City 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 an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) as of October 1, 2003 was 2,937. The District employed 209 certificated employees and 134 non-certificated employees.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials 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.

Component units are legally separate organizations for 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 board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; 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. Components units may also include organizations that fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies:

**A. Basis of Presentation**

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 statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

program revenues identifies the extent to which each business segment or 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 and enterprise fund financial statements is on major funds rather than reporting Funds by type. Each major fund is presented in a single 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 classified into three categories: governmental, proprietary and fiduciary.

**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 be 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 following is the District's only major fund:

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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**PROPRIETARY FUNDS**

Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**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's only trust fund is a private purpose trust, which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**C. Measurement Focus**

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust is reported using the economic resources measurement focus.

**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. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used of 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 non-exchange 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, interest, tuition, grants, student fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.



**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. 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 Investments**

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2004, investments were limited to a guaranteed investment contract, Federal Agency Securities, repurchase agreements, and STAR Ohio. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

time of purchase is reported at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, 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 2004 amounted to \$10,425, which includes \$4,208 assigned from other funds.

For presentation on the financial statements, 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. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. At fiscal year end, restricted assets totaled \$398,953.

**G. Inventories**

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

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in/first-out (FIFO) basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**H. Bond Discounts, Premiums, and Issuance Costs**

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the Government Wide Financial Statements would always be reported at the bond's face value.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the Food Service enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15	
Buildings and Improvements	40	
Furniture and Equipment	5	5
Vehicles	8	

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. 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 unused sick leave for all employees age fifty (50).

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**M. 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.

**N. 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 balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and budget stabilization in the governmental funds.

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 required to be set-aside by statute to protect against cyclical changes in revenue and expenditures.

**O. Operating Revenues and Expense**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and uniform school supplies. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**P. Interfund Transactions**

Transfers between governmental and business-type activities on the governmental-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Q. Estimates**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance 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 Balances - Budget (Non-GAAP) and Actual presented for 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 that:

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 liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balance	
	General
Budget Basis	\$ (889,438)
Adjustments:	
Revenue Accruals:	
Accrued FY2003, Received in Cash FY2004	793,603
Accrued FY2004, Not Yet Received in Cash	(969,610)
Expenditure Accruals:	
Accrued FY2003, Paid in Cash FY2004	(1,762,358)
Accrued FY2004, Not Yet Paid in Cash	1,582,185
Encumbrances	116,289
Other Financial Sources/Uses:	
Refund	(7,254)
Advances (Net)	149,200
GAAP Basis	\$ (987,383)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**Deposits**

Statutes require the classification of monies held by the District into three categories:

Active Deposits: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) account, or in money market deposit accounts.

Inactive Deposits: those monies not required for use within the current two-year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Deposits: 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 monies to be invested or deposited in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchased agreement must exceed the principal value of the agreements by at least two percent and be marked to market to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in § 135.03 of the Revised Code;
6. The State Treasurer's Investment pool;

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 money deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3. "Deposits With Financial Institutions, Investments (Including Repurchased Agreements), and Reverse Repurchase Agreements.

**Deposits:** At fiscal year end, the carrying amount of the School's deposits was \$413,357 and the bank balance was \$701,287. Of the bank balance, \$110,691 was covered by federal depository insurance and \$590,596 was covered by collateral held by the pledging financial institution in the name of the District.

**Investments:** The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio is unclassified because it is not evidenced by securities that exist in physical or book.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

	Category 1	Category 3	Fair Value
North Central Insurance Trust	\$ -	\$ 112,586	\$ 112,586
Securities Held	1,383	-	1,383
Repurchased Agreement	-	2,805,000	2,805,000
Total Investments	<u>\$ 1,383</u>	<u>\$ 2,917,586</u>	<u>\$ 2,918,969</u>

The reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 3,333,826	\$ -
Cash on Hand	(1,500)	
North Central Insurance Trust	(112,586)	112,586
Security Held	(1,383)	1,383
Repurchased Agreement	(2,805,000)	2,805,000
GASB Statement 3	<u>\$ 413,357</u>	<u>\$ 2,918,969</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 real for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.



**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue. 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 is deferred.

The amount available as an advance at June 30, 2004, was \$720,327 in the General Fund, \$59,828 in the Debt Service Bond Retirement Fund, \$17,790 in the Permanent Improvement Fund and \$6,257 in the Middle School Maintenance Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 First-Half Collections		2004 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Public Utility	\$ 293,930,070	84.79%	\$ 274,713,290	83.78%
Tangible Personal Property	52,724,066	15.21%	53,191,565	16.22%
Total Assessed Value	\$ 346,654,136	100.00%	\$ 327,904,855	100.00%
Tax rate per \$1,000 of assessed valuation	\$49.15		\$49.15	

**NOTE 6 - INTERFUND RECEIVABLE/INTERFUND PAYABLE**

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables:

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

Fund	Receivable	Payable
General	\$ 298,847	\$ -
Special Revenue:		
Columbian Blue and Gold	-	13,385
St. Joseph Auxilliary	-	718
Alternative School Grant	-	7,945
IDEA B FY03	-	139,403
Title I	-	89,886
Title 6	-	16,905
Federal Emergency Repair	-	4,260
Title IV-A SDFSC	-	13,656
Class Size Reduction Grant	-	57,345
Technology Title II-D	-	6,182
Capital Projects:		
Permanent Improvement	50,838	-
Totals	<u>\$ 349,685</u>	<u>\$ 349,685</u>

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	Amount
<u>Governmental Type Activities:</u>	
Taxes:	
General Fund	\$ 7,614,264
Permanent Improvement Fund	188,048
Other Governmental Funds	698,565
Total Taxes Receivable	<u>8,500,877</u>
Accounts:	
General Fund	67,393
Other Governmental Funds	4,088
Total Accounts Receivable	<u>71,481</u>
Intergovernmental:	
General Fund	-
Other Governmental Funds	281,513
Total Intergovernmental Receivables	<u>281,513</u>
Total Governmental Type Activities	<u><u>8,853,871</u></u>
<u>Business-Type Activities:</u>	
Accounts	76
Intergovernmental	25,164
Total Business-Type Activities	<u><u>\$25,240</u></u>

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
<u>Governmental Activities</u>				
Land	\$ 3,718,480	\$ 251,754	\$ -	\$ 3,970,234
Land Improvements	1,601,840	249,308	-	1,851,148
Buildings and Improvements	22,398,828	2,314,959	73,619	24,640,168
Furniture and Equipment	5,264,471	376,038	8,507	5,632,002
School Buses and Vehicles	1,410,641	48,584	-	1,459,225
Totals at Historical Cost	<u>34,394,260</u>	<u>3,240,643</u>	<u>82,126</u>	<u>37,552,777</u>
Less Accumulated Depreciation:				
Land Improvements	628,890	123,410	-	752,300
Buildings and Improvements	1,724,376	617,845	73,619	2,268,602
Furniture and Equipment	3,573,664	705,064	8,507	4,270,221
Vehicles	1,186,771	145,922	-	1,332,693
Total Accumulated Depreciation	<u>7,113,701</u>	<u>1,592,241</u>	<u>82,126</u>	<u>8,623,816</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,280,559</u>	<u>\$ 1,648,402</u>	<u>\$ -</u>	<u>\$ 28,928,961</u>
<u>Business-Type Activities</u>				
Furniture and Equipment	361,402	9,869	-	371,271
Less Accumulated Depreciation	<u>338,700</u>	<u>7,402</u>	<u>-</u>	<u>346,102</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,702</u>	<u>\$ 2,467</u>	<u>\$ -</u>	<u>\$ 25,169</u>

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

Instruction:	
Regular	\$ 1,462
Support Service:	
Pupil	1,270
Instructional Staff	25,214
Administration	1,620
Fiscal	131
Operation and Maintenance of Plant	41,901
Pupil Transportation	100,035
Unallocated Depreciation Expense	<u>1,420,608</u>
Total Depreciation Expense	<u>\$ 1,592,241</u>

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 9 - RISK MANAGEMENT**

**Employees Health Care:**

The District is a member of the North Central Joint Insurance Trust (Association). This organization is a public entity risk pool consisting of Tiffin City Schools, North Central Ohio Educational Service Center, the Sandusky Educational Service Center, and four local school districts: Old Fort, Bettsville, Seneca East and New Riegel. The Association was established pursuant to ORC 9.833 in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and educational service Centers. The North Central Ohio Educational Service Center acts as fiscal agent for the association.

**Comprehensive:**

The District maintains comprehensive insurance coverage with a private carrier for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully registered. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$2,000,000 \$2,000,000 \$1,000,000 \$1,000,000 \$300,000 \$5,000	General Aggregate Products/Completed Ops Aggregate Personal & Advertising Injury Each Occurrence Fire Damage Medical Expense
Vehicle Policy	\$1,000,000 \$1,000,000 \$10,000 \$1,000,000	Bodily injury Property damage Medical payments Uninsured Motorist
Building and Contents	\$41,418,118	\$2,500
Blanket Business Personal Property	\$4,687,725	\$2,500
Worker Compensation	\$1,000,000 \$1,000,000 \$1,000,000	Employer's Liability Each Accident Disease-Policy Limit Each employee
Data Processing Equipment	\$1,000,000	\$500/1000
Blanket Bond	\$10,000	Per Individual
Treasurer's Bond	\$20,000	
Crime	\$3,000	No deductible
Robbery, & Safe Burglary	\$5,000	No deductible

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the school district has not significantly reduced coverages in the past year.

**OSBA Worker's Compensation Group Rating Program:**

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2004, 2003, and 2002 were \$438,252, \$476,735, and \$422,715 respectively; 81.8 percent has been contributed for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 DBP into the DCP or the CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years credited service that 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 DCP 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, 2004, plan members were required to contribute 10.0 percent of their annual covered salary and the District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,441,032, \$1,505,355, and \$1,490,402, respectively; 81.50 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year June 30, 2004, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$463,189 for the fiscal year ended June 30, 2004.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year ending June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$14,500. For the District, the amount to fund health care benefits, including surcharge, equaled \$206,614 for the fiscal year ended June 30, 2004.

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 annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were \$223,443,805, and the target level was \$335.2 million. At June 30, 2003, SERS net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 12 - COMPENSATED ABSENCES**

**Vacation:**

Employees earn vacation at rates specified under State of Ohio Law and based on credited service. Certified and classified employees with one or more years of service are entitled to vacation ranging from 8 to 20 days. Custodial employees who are not full-time employees will earn vacation days with pay based on the number of hours worked in a given year. Employees are permitted to carry over vacation leave earned in the current year into the next year.

**Sick Leave:**

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to two hundred twenty-five (265) days.

**Service Retirement:**

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on twenty-five percent (25%) of accumulative sick leave to a maximum of 66.25 days.

Non-Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on twenty-five percent (25%) of accumulative sick leave to a maximum of 65 days.

At June 30, 2004 the amount of unpaid compensated absences, in all funds except for the Proprietary Fund, was \$1,074,710. The liability for compensated absences in the Proprietary Funds at June 30, 2004 was \$31,549.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 13 - SET ASIDES**

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 equal amount for the acquisition and construction of capital improvements. Amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2004:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/03	\$ -	\$ -	\$ 222,501	\$ 222,501
Required Set-Aside	408,956	408,956	-	817,912
Qualifying Expenditures	(232,504)	(408,956)	-	(641,460)
Balance 6/30/04	<u>\$ 176,452</u>	<u>\$ -</u>	<u>\$ 222,501</u>	<u>\$ 398,953</u>
Amount Carried Forward to Fiscal Year 2005	<u>\$ 176,452</u>	<u>\$ -</u>	<u>\$ 222,501</u>	
Total Restricted Assets				<u>\$ 398,953</u>

**NOTE 14 - LONG-TERM LIABILITIES**

The changes in the District's long-term obligations during the fiscal year consist of the following:



**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

	Principal Outstanding 06/30/03	Additions	Reductions	Principal Outstanding 06/30/04	Amounts Due In One Year
<u>Governmental Activities</u>					
Tax Anticipation Notes, 2001B 4.50% Matures 5/7/05	\$ 750,000	\$ 520,000	\$ 750,000	\$ 520,000	\$ 520,000
Fifth Third - Various Purpose Bonds 4.78%; Matures 6/1/04	39,219	-	39,219	-	-
Citicorp-Energy Conservation Note, 5.25%; Matures 7/15/2014	997,776	-	64,922	932,854	68,414
School Improvement General Obligation Bonds 2.90% to 6.25% Matures 12/01/2023	9,585,000	-	110,000	9,475,000	135,000
Compensated Absences	1,215,146	131,528	271,964	1,074,710	44,866
Severance Pay Bonus	10,000	20,000	10,000	20,000	20,000
Pension Obligation	345,851	345,986	345,851	345,986	345,986
Capital Lease	824,026	-	44,621	779,405	47,021
<b>Total Governmental Activities Long-Term Liabilities</b>	<u>\$13,767,018</u>	<u>\$1,017,514</u>	<u>\$1,636,577</u>	<u>\$13,147,955</u>	<u>\$1,181,287</u>
<u>Business-Type Activities</u>					
Compensated Absences Payable	<u>\$23,014</u>	<u>\$21,193</u>	<u>12,658</u>	<u>\$31,549</u>	<u>31,549</u>

Compensated absences, intergovernmental payables and pension obligations will be paid from the funds from which the employees' salaries are paid. Capital Leases will be paid from the General Fund. Tax anticipation notes are reported as a liability on the fund financial statements in the fund which received the proceeds.

The School District's overall debt margin was \$20,240,528 at June 30, 2004.

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest are as follows:

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

Fiscal Year Ending June 30	Conservation Note	Improvement Bonds	Improvement Note
2005	116,502	614,115	543,400
2006	116,544	624,255	-
2007	116,585	643,630	-
2008	116,630	816,805	-
2009	116,676	817,427	-
2010-2014	584,174	4,075,188	-
2015-2019	58,504	4,073,422	-
2020-2024	-	4,070,638	-
Total	1,225,615	15,735,480	543,400
Less: Amount Representing Interest	292,761	6,260,480	23,400
Totals	<u>\$ 932,854</u>	<u>\$ 9,475,000</u>	<u>\$ 520,000</u>

**NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capitalized leases for the acquisition of reproduction equipment and computers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reflected as general fund expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. A liability was recorded in the Government Wide Financial Statements for \$779,405. Principal payments in the fiscal year 2004 totaled \$44,621. This amount is reflected as "Debt Service Principal" in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2004:

Year Ending June 30	Capital Lease Liability
2005	\$ 86,819
2006	86,819
2007	86,819
2008	86,819
2009	86,819
2010-14	434,095
2015-17	188,107
Total Minimum Lease Payments	1,056,297
Less: Amount Representing Interest	(276,892)
Present Value of Future Minimum Lease Payment	<u>\$ 779,405</u>

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 16 - OPERATING LEASES AGREEMENTS**

Tiffin City School District has entered into operating lease agreements for modular classrooms, copiers, land, and vehicles. These agreements are, in substance, rental agreements and are classified as operating lease rental payments in the financial statements. The following summarizes future minimum lease payments under the operating leases at June 30, 2004:

<u>Fiscal Year Ending June 30</u>	<u>Payments</u>
2005	<u>\$51,016</u>

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2004.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. School Funding Decision**

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**TIFFIN CITY SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For The Year Ended June 30, 2004

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
<b><u>U.S. Department of Education</u></b>				
<i>Passed through the Ohio Department of Education:</i>				
Title I - Educationally Deprived Children	044891-C1-S1-03	84.010	\$ 64,211	\$ 66,350
	044891-C1-S1-04	84.010	405,653	366,257
	044891-C1-SD-04	84.010	2,531	-
<b>Total Title I - Educationally Deprived Children</b>			472,395	432,607
Title II D - Technology Literacy Challenge - Raising the Bar	044891-TJ-S1-03	84.318	3,888	6,426
	044891-TJ-S1-04	84.318	1,623	7,621
<b>Total Title II D - Technology Literacy Challenge - Raising the Bar</b>			5,511	14,047
Title VI B - Education of all Handicapped	044891-6B-SF-02	84.027	-	711
	044891-6B-SF-03	84.027	91,697	91,697
	044891-6B-SF-04	84.027	291,567	399,137
<b>Total Title VI B - Education of all Handicapped</b>			383,264	491,545
Drug-Free Schools	044891-DR-S1-03	84.186	-	6,628
	044891-DR-S1-04	84.186	8,478	22,135
<b>Total Drug-Free Schools</b>			8,478	28,763
School Renovation	N/A	84.352	-	149
<b>Total School Renovation</b>			-	149
Federal Emergency Repair	N/A	84.352A	167,256	167,256
<b>Total Federal Emergency Repair</b>			167,256	167,256
Eisenhower Professional Development	044891-MS-S1-02	84.281	-	107
<b>Total Eisenhower Professional Development</b>			-	107
Title VI - Innovative Education Program	044891-C2-S1-03	84.298	138	138
	044891-C2-S1-04	84.298	19,237	24,135
<b>Total Title VI - Innovative Education Program</b>			19,375	24,273
Improving Teacher Quality State Grant	044891-TR-S1-03	84.367	15,132	15,132
	044891-TR-S1-04	84.367	94,788	120,968
<b>Total Improving Teacher Quality State Grant</b>			109,920	136,100
Safe and Drug Free Community Services	044891-T4-S1-04	84.184C	1,069	1,069
<b>Total Safe and Drug Free Community Services</b>			1,069	1,069
<b>Total U. S. Department of Education</b>			1,167,268	1,295,916
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed through Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
Food Distribution	N/A	10.550	152,724	152,724
School Breakfast Program	044891-05-PU-03	10.553	1,340	1,340
School Breakfast Program	044891-05-PU-04	10.553	8,248	8,248
National School Lunch Program	044891-LL-P4-03	10.555	37,804	37,804
National School Lunch Program	044891-LL-P4-04	10.555	185,421	185,421
<b>Total U.S. Department of Agriculture</b>			385,537	385,537
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS</b>			\$ 1,552,805	\$ 1,681,453

**TIFFIN CITY SCHOOL DISTRICT**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2004**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain expenditures are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had immaterial commodities in inventory recorded in the Enterprise Fund.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Tiffin City School District  
Tiffin, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated April 1, 2005.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 1, 2005.

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

***Charles E. Harris & Associates, Inc.***  
April 1, 2005

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

Board of Education  
Tiffin School District  
Tiffin, Ohio

**Compliance**

We have audited the compliance of the Tiffin City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Charles E. Harris & Associates, Inc.*  
April 1, 2005

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY  
June 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title VI-B CFDA #84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY**  
**June 30, 2004**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit for the year ended June 30, 2003 included no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**TIFFIN CITY SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 29, 2005**