

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

JENNIFER HEDRICK, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Tiffin City School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 12, 2008

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TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, its major fund and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Tiffin City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tiffin City School District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Tiffin City Schools Digital Academy, Tiffin City School District's only discretely presented component unit. Tiffin City Schools Digital Academy financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tiffin City School District is based on the report of the other auditors.

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

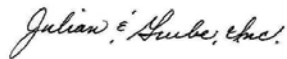
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2008 on our consideration of Tiffin City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Tiffin City School District
Page Two

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

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



Julian & Grube, Inc.
February 12, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

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

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$879,084. Net assets of governmental activities increased \$835,201, which represents a 4.58% increase from 2006. Net assets of business-type activities increased \$43,883 or 21.27% from 2006.
- General revenues of the governmental activities accounted for \$22,312,894 in revenue or 82.78% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,641,287 or 17.22% of total governmental activities revenues of \$26,954,181.
- The District had \$26,118,980 in expenses related to governmental activities, \$4,641,287 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$22,312,894 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$22,689,872 in revenues and \$21,829,035 in expenditures and other financing uses. The fund balance of the general fund increased from \$422,528 to \$1,283,365.
- Net assets for the District's enterprise funds increased \$43,883 or 21.27%. Total enterprise expenditures were \$840,118. All of the expenses were offset by program specific charges for services, grants or contributions.

Using this Financial Report

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole 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 as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District's only major fund is the general fund. The general fund is by far the most significant fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the 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 2007?" The statement of net assets and the statement of activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take 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.

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 or a significant portion of the expenses of the goods or services provided. The District's food service and uniform school supplies programs are reported as business activities.

The District's statement of net assets and statement of activities can be found on pages 16-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10 and the analysis of the District's business-type activities enterprise funds begins on page 10. 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 fund financial statements focus on the District's most significant funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Proprietary Funds

The proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and the statement of changes in fiduciary net assets is on pages 27-28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-65 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>						
Current assets	\$ 17,279,801	\$ 15,890,309	\$ 363,689	\$ 304,722	\$ 17,643,490	\$ 16,195,031
Capital assets	<u>27,872,280</u>	<u>28,830,739</u>	<u>10,152</u>	<u>16,898</u>	<u>27,882,432</u>	<u>28,847,637</u>
Total assets	<u>45,152,081</u>	<u>44,721,048</u>	<u>373,841</u>	<u>321,620</u>	<u>45,525,922</u>	<u>45,042,668</u>
<u>Liabilities</u>						
Current liabilities	13,640,812	13,969,801	85,034	80,146	13,725,846	14,049,947
Long-term liabilities	<u>12,433,379</u>	<u>12,508,558</u>	<u>38,629</u>	<u>35,179</u>	<u>12,472,008</u>	<u>12,543,737</u>
Total liabilities	<u>26,074,191</u>	<u>26,478,359</u>	<u>123,663</u>	<u>115,325</u>	<u>26,197,854</u>	<u>26,593,684</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	17,054,612	17,634,936	10,152	16,898	17,064,764	17,651,834
Restricted	2,212,945	2,620,318	-	-	2,212,945	2,620,318
Unrestricted (deficit)	<u>(189,667)</u>	<u>(2,012,565)</u>	<u>240,026</u>	<u>189,397</u>	<u>50,359</u>	<u>(1,823,168)</u>
Total net assets	<u>\$ 19,077,890</u>	<u>\$ 18,242,689</u>	<u>\$ 250,178</u>	<u>\$ 206,295</u>	<u>\$ 19,328,068</u>	<u>\$ 18,448,984</u>

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

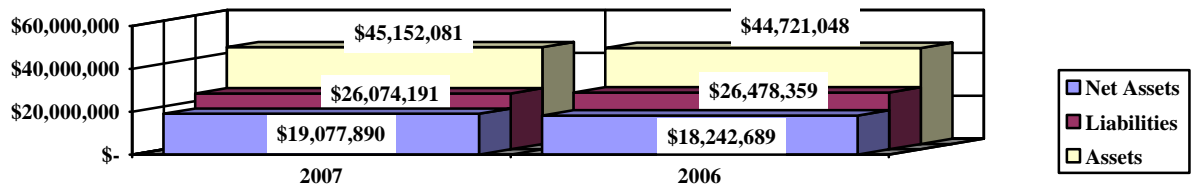
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$19,328,068. Of this total, net assets of the governmental activities were \$19,077,890 and the net assets of the business-type activities were \$250,178. At year-end, capital assets represented 61.25% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$17,064,764. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

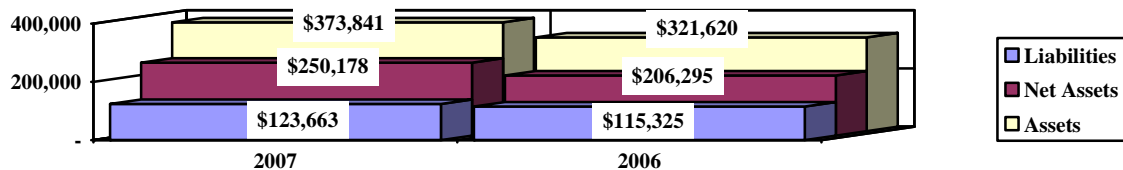
A portion of the District's total net assets, \$2,212,945, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$913,987 is restricted for debt service and \$885,571 is restricted for capital projects. The table below provides a summary of the District's net assets for 2007 and 2006.

The graphs below show the District's governmental activities assets, liabilities and net assets at June 30, 2007 and 2006.

Governmental - Net Assets



Business-Type - Net Assets



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The table below shows the changes in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 1,445,307	\$ 1,582,033	\$ 487,217	\$ 470,298	\$ 1,932,524	\$ 2,052,331
Operating grants and contributions	3,184,261	2,790,590	391,521	455,031	3,575,782	3,245,621
Capital grants and contributions	11,719	327,379	-	-	11,719	327,379
General revenues:						
Property taxes	11,753,096	10,722,559	-	-	11,753,096	10,722,559
Payment in lieu of taxes	289,251	392,882	-	-	289,251	392,882
Grants and entitlements	9,885,751	9,447,230	-	-	9,885,751	9,447,230
Investment earnings	188,655	83,131	5,263	2,197	193,918	85,328
Miscellaneous	196,141	94,719	-	-	196,141	94,719
Total revenues	<u>26,954,181</u>	<u>25,440,523</u>	<u>884,001</u>	<u>927,526</u>	<u>27,838,182</u>	<u>26,368,049</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	10,183,630	10,028,788	-	-	10,183,630	10,028,788
Special	3,083,199	3,016,920	-	-	3,083,199	3,016,920
Vocational	197,849	198,224	-	-	197,849	198,224
Other	1,748,987	1,548,974	-	-	1,748,987	1,548,974
Support services:						
Pupil	1,174,376	1,129,434	-	-	1,174,376	1,129,434
Instructional staff	1,510,375	1,731,408	-	-	1,510,375	1,731,408
Board of education	230,683	75,984	-	-	230,683	75,984
Administration	2,046,701	1,923,886	-	-	2,046,701	1,923,886
Fiscal	721,510	647,974	-	-	721,510	647,974
Business	1,177	300	-	-	1,177	300
Operations and maintenance	2,734,963	2,570,160	-	-	2,734,963	2,570,160
Pupil transportation	873,549	790,718	-	-	873,549	790,718
Central	997	39,644	-	-	997	39,644
Operation of non-instructional services	565,632	566,330	-	-	565,632	566,330
Extracurricular activities	649,827	763,645	-	-	649,827	763,645
Interest and fiscal charges	395,525	575,989	-	-	395,525	575,989
Food service	-	-	734,066	780,423	734,066	780,423
Uniform supplies	-	-	106,052	88,717	106,052	88,717
Total expenses	<u>26,118,980</u>	<u>25,608,378</u>	<u>840,118</u>	<u>869,140</u>	<u>26,959,098</u>	<u>26,477,518</u>
Changes in net assets	835,201	(167,855)	43,883	58,386	879,084	(109,469)
Net assets at beginning of year	<u>18,242,689</u>	<u>18,410,544</u>	<u>206,295</u>	<u>147,909</u>	<u>18,448,984</u>	<u>18,558,453</u>
Net assets at end of year	<u>\$ 19,077,890</u>	<u>\$ 18,242,689</u>	<u>\$ 250,178</u>	<u>\$ 206,295</u>	<u>\$ 19,328,068</u>	<u>\$ 18,448,984</u>

Governmental Activities

Net assets of the District's governmental activities increased \$835,201. Total governmental expenses of \$26,118,980 were offset by program revenues of \$4,641,287, and general revenues of \$22,312,894. Program revenues supported 17.77% of the total governmental activities expenses.

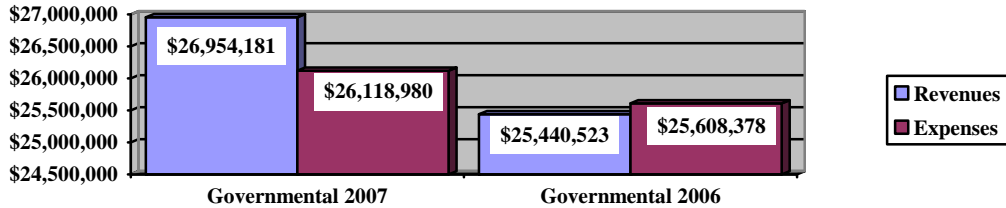
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 80.28% of total governmental revenue. Real estate property is reappraised every six years.

The graph on the following page presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

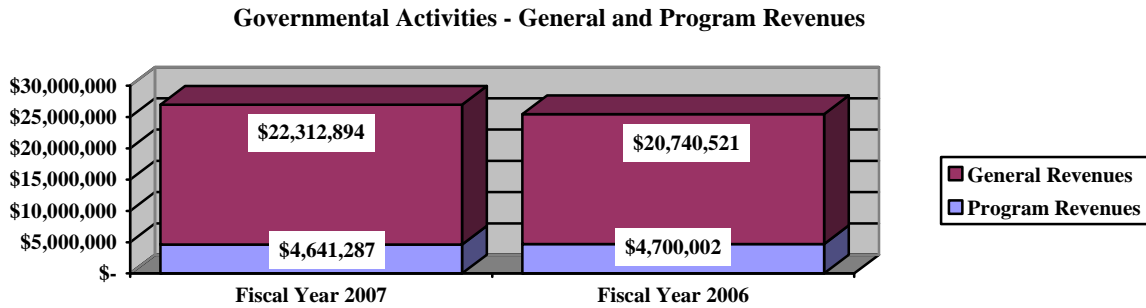
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses:				
Instruction:				
Regular	\$ 10,183,630	\$ 8,718,740	\$ 10,028,788	\$ 8,625,089
Special	3,083,199	1,664,482	3,016,920	1,944,257
Vocational	197,849	188,469	198,224	190,912
Other	1,748,987	1,748,987	1,548,974	1,548,974
Support services:				
Pupil	1,174,376	863,189	1,129,434	871,060
Instructional staff	1,510,375	938,896	1,731,408	1,034,783
Board of Education	230,683	230,683	75,984	75,984
Administration	2,046,701	2,044,074	1,923,886	1,920,274
Fiscal	721,510	721,471	647,974	647,974
Business	1,177	1,177	300	300
Operations and maintenance	2,734,963	2,704,725	2,570,160	2,223,802
Pupil transportation	873,549	854,094	790,718	716,506
Central	997	(785)	39,644	39,644
Operation of non-instructional services	565,632	31,959	566,330	27,727
Extracurricular activities	649,827	372,007	763,645	465,101
Interest and fiscal charges	395,525	395,525	575,989	575,989
Total expenses	\$ 26,118,980	\$ 21,477,693	\$ 25,608,378	\$ 20,908,376

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The dependence upon tax revenues during fiscal year 2007 for governmental activities is apparent, as 80.98% of 2007 instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



Business-Type Activities

Business-type activities include food service operations and uniform school supplies. These programs had revenues of \$884,001 and expenses of \$840,118 for fiscal year 2007. Business-type activities increased \$43,883 in fiscal year 2007. The District's business-type activities do not receive support from tax revenues. The activities of the enterprise funds are presented on pages 24-26.

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$2,659,831, which is above last year's total of \$1,192,390. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	<u>Increase</u>
General	\$ 1,283,365	\$ 422,528	\$ 860,837
Other Governmental	<u>1,376,466</u>	<u>769,862</u>	<u>606,604</u>
Total	<u>\$ 2,659,831</u>	<u>\$ 1,192,390</u>	<u>\$1,467,441</u>

The fund balance of the other governmental funds increased primarily due to an increase in fund balance of \$540, 012 in the debt service fund. The tax collections in the debt service fund were more than sufficient to cover the debt service expenditures.

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

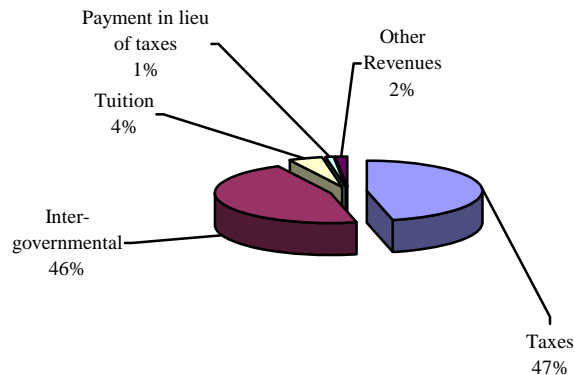
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

General Fund

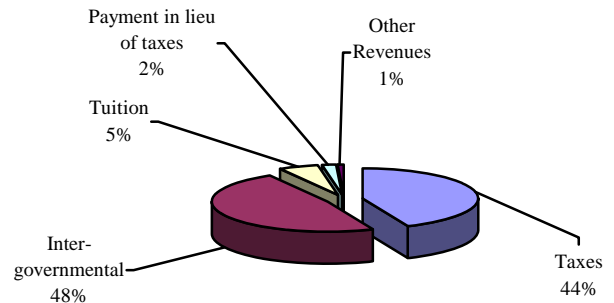
The District's general fund balance increased \$860,837 during 2007. Investment income increased due to an increase on the interest rates of the District's investments along with an increase in the cash balance of the general fund. Intergovernmental revenue increased due to increase in the amount received from the State of Ohio in the form of foundation payments. Tax revenue increased as a result in the increase in taxes being collected by the county auditor and available as an advance at fiscal year end 2007 versus 2006. The amount of taxes collected and available as an advance is recorded as tax revenue on a GAAP basis and can vary depending upon when tax bills are sent out by the County Auditor. Payments in lieu of taxes decreased as the District was entitled to less of these payments in fiscal year 2007 versus 2006

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 10,531,313	\$ 9,715,901	8.39 %
Intergovernmental	10,486,147	10,042,497	4.42 %
Investment income	187,678	81,475	130.35 %
Tuition	1,016,814	1,123,047	(9.46) %
Transportation fees	39,529	27,358	44.49 %
Extracurricular	100	685	(85.40) %
Classroom materials and fees	360	416	(13.46) %
Payment in lieu of taxes	289,250	392,882	(26.38) %
Other revenues	<u>138,681</u>	<u>90,355</u>	53.48 %
Total	<u>\$ 22,689,872</u>	<u>\$ 21,474,616</u>	5.66 %

Revenues - Fiscal Year 2007



Revenues - Fiscal Year 2006



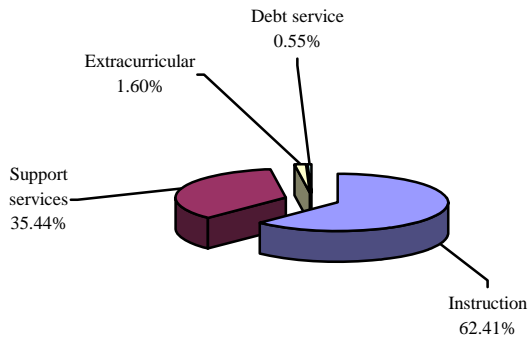
**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

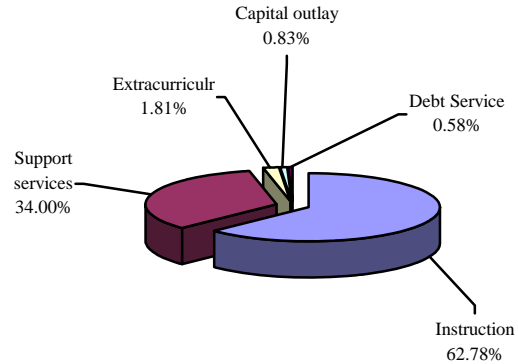
The table that follows assists in illustrating the expenditures of the general fund. Instruction and support services increased due to normal and customary wage and benefit increases. The District entered into a new capital lease in 2006 for the purchase of three buses, which resulted in an increase in capital outlay in 2006. There were no new leases in fiscal year 2007, so the District had no capital outlay expenditures in 2007. Although the percentage change in facilities acquisition and construction was large, the actual increase was insignificant.

	2007 <u>Amount</u>	2006 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 13,406,546	\$ 13,379,025	0.21 %
Support services	7,611,184	7,247,522	5.02 %
Extracurricular activities	342,860	385,233	(11.00) %
Facilities acquisition and construction	362	-	100.00 %
Capital outlay	-	176,357	(100.00) %
Debt service	<u>118,083</u>	<u>124,429</u>	(5.10) %
Total	<u>\$ 21,479,035</u>	<u>\$ 21,312,566</u>	0.78 %

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



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 2007, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$21,688,350. Final budgeted revenues of \$21,688,350 were \$737,229 below actual revenues and other financing sources of \$22,425,579.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

General fund original appropriations (appropriated expenditures plus other financing uses) were \$20,759,337 and final appropriations were \$21,350,712. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$22,076,554, which was \$725,842 more than the final budget appropriations. The District spent more than anticipated on purchased services during fiscal year 2007.

Capital Assets and Debt Administration

Capital Assets

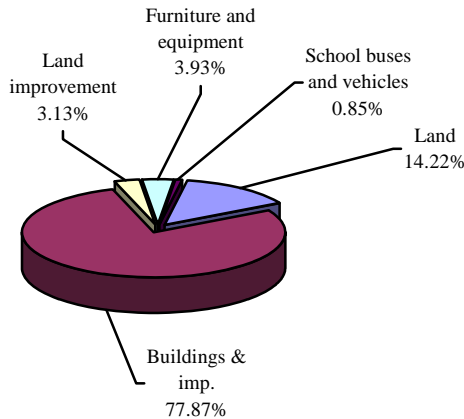
At the end of fiscal 2007, the District had \$27,882,432 invested in land, land improvements, buildings and improvements, furniture and equipment, and school buses and vehicles. The following table shows fiscal 2007 balances compared to 2006:

**Capital Assets at June 30
(Net of Depreciation)**

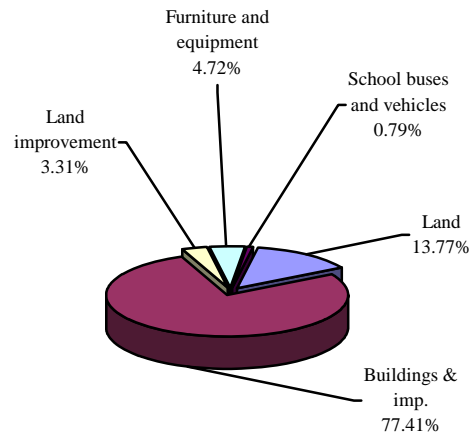
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 3,963,888	\$ 3,970,234	\$ -	\$ -	\$ 3,963,888	\$ 3,970,234
Land improvements	873,491	955,166	-	-	873,491	955,166
Buildings and improvements	21,703,843	22,317,416	-	-	21,703,843	22,317,416
Furniture and equipment	1,095,081	1,361,172	10,152	16,898	1,105,233	1,378,070
School buses and vehicles	235,977	226,751	-	-	235,977	226,751
Total	\$ 27,872,280	\$ 28,830,739	\$ 10,152	\$ 16,898	\$ 27,882,432	\$ 28,847,637

The following graphs show the breakdown of governmental activities capital assets by category for 2007 and 2006.

**Capital Assets - Governmental Activities
2007**



**Capital Assets - Governmental Activities
2006**



See Note 8 to the basic financial statements for detail on the District's capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Debt Administration

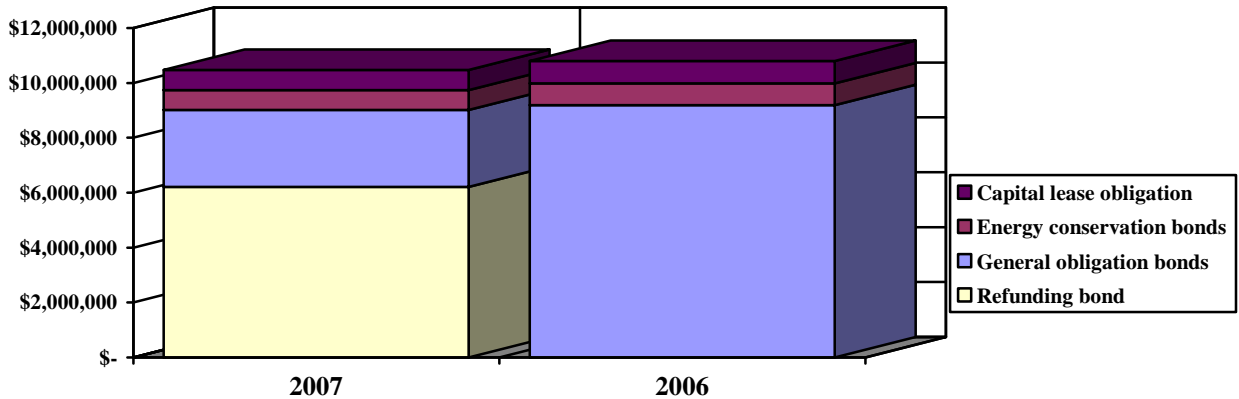
At June 30, 2007 the District had \$2,815,000 in general obligation bonds, \$6,204,606 in refunding bonds, \$716,375 in energy conservation notes and \$736,292 in capital lease obligations outstanding. Of the total outstanding debt, \$703,739 is due within one year and \$9,768,534 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Energy conservation notes	\$ 716,375	\$ 792,346
School improvement general obligation bonds	2,815,000	9,190,000
School improvement refunding bonds	6,204,606	-
Capital lease obligation	<u>736,292</u>	<u>813,457</u>
Total	<u>\$ 10,472,273</u>	<u>\$ 10,795,803</u>

The following graphs show the breakdown of outstanding debt by category for 2007 and 2006.

Outstanding Debt



See Note 10 to the basic financial statements for detail on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Current Financial Related Activities

The District 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.

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. As part of the District's cost saving initiatives, the District refinanced the Series 2001 general obligation bonds during fiscal year 2007 to reduce total debt service payments over the next 18 years by 6.16% and resulted in an economic gain of \$381,861.

The 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 citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Pat Penny, Interim Treasurer, Tiffin City School District, 244 South Monroe Street, Tiffin, Ohio 44883.

**BASIC
FINANCIAL STATEMENTS**

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TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tiffin City Schools Digital Academy
Assets:				
Equity in pooled cash and cash equivalents. . .	\$ 4,842,723	\$ 242,693	\$ 5,085,416	\$ 157,470
Cash with fiscal agent.	2,367	-	2,367	-
Receivables:				
Taxes	12,044,753	-	12,044,753	-
Accounts	27,273	-	27,273	-
Intergovernmental	148,726	69,304	218,030	28,875
Accrued interest	148	-	148	-
Prepayments	93,871	-	93,871	-
Materials and supplies inventory.	-	51,692	51,692	-
Unamortized bond issue costs	119,940	-	119,940	-
Capital assets:				
Land	3,963,888	-	3,963,888	-
Depreciable capital assets, net	23,908,392	10,152	23,918,544	31,627
Total capital assets	<u>27,872,280</u>	<u>10,152</u>	<u>27,882,432</u>	<u>31,627</u>
Total assets.	<u>45,152,081</u>	<u>373,841</u>	<u>45,525,922</u>	<u>217,972</u>
Liabilities:				
Accounts payable.	14,745	-	14,745	-
Accrued wages and benefits	1,756,746	46,966	1,803,712	-
Pension obligation payable.	536,463	35,631	572,094	-
Intergovernmental payable	138,179	2,437	140,616	-
Unearned revenue	10,805,267	-	10,805,267	-
Accrued interest payable	39,412	-	39,412	-
Notes payable	350,000	-	350,000	-
Long-term liabilities:				
Due within one year.	866,139	3,516	869,655	-
Due in more than one year	<u>11,567,240</u>	<u>35,113</u>	<u>11,602,353</u>	<u>-</u>
Total liabilities	<u>26,074,191</u>	<u>123,663</u>	<u>26,197,854</u>	<u>-</u>
Net Assets:				
Invested in capital assets, net of related debt.	17,054,612	10,152	17,064,764	31,627
Restricted for:				
Capital projects	885,571	-	885,571	-
Classroom facilities maintenance	16,966	-	16,966	-
Debt service.	913,987	-	913,987	-
Locally funded programs	40,384	-	40,384	-
State funded programs	123,078	-	123,078	-
Federally funded programs	2,367	-	2,367	-
Student activities	53,549	-	53,549	-
Other purposes.	177,043	-	177,043	-
Unrestricted (deficit).	<u>(189,667)</u>	<u>240,026</u>	<u>50,359</u>	<u>186,345</u>
Total net assets	<u>\$ 19,077,890</u>	<u>\$ 250,178</u>	<u>\$ 19,328,068</u>	<u>\$ 217,972</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 10,183,630	\$ 1,017,174	\$ 437,818	\$ 9,898
Special	3,083,199	-	1,418,717	-
Vocational	197,849	-	9,380	-
Other	1,748,987	-	-	-
Support services:				
Pupil	1,174,376	124,770	186,417	-
Instructional staff	1,510,375	-	571,479	-
Board of education.	230,683	-	-	-
Administration.	2,046,701	-	2,627	-
Fiscal.	721,510	-	-	39
Business.	1,177	-	-	-
Operations and maintenance	2,734,963	30,238	-	-
Pupil transportation.	873,549	-	19,455	-
Central	997	-	-	1,782
Operation of non-instructional services	565,632	3,968	529,705	-
Extracurricular activities.	649,827	269,157	8,663	-
Interest and fiscal charges	395,525	-	-	-
Total governmental activities	<u>26,118,980</u>	<u>1,445,307</u>	<u>3,184,261</u>	<u>11,719</u>
Business-type activities:				
Nonmajor enterprise funds:				
Food service	734,066	387,018	391,521	-
Uniform supplies.	106,052	100,199	-	-
Total business-type activities	<u>840,118</u>	<u>487,217</u>	<u>391,521</u>	<u>-</u>
Totals	<u>\$ 26,959,098</u>	<u>\$ 1,932,524</u>	<u>\$ 3,575,782</u>	<u>\$ 11,719</u>
Component Unit:				
Tiffin City Schools Digital Academy	\$ 304,027	\$ -	\$ 305,000	\$ -
Total component unit	<u>\$ 304,027</u>	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ -</u>

General Revenues:

Property taxes levied for:
General purposes
Special revenue.
Debt service.
Capital projects
Payments in lieu of taxes.
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets at beginning of year
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities		Primary Government Business-Type Activities		Total	Component Unit Tiffin City Schools Digital Academy
\$	(8,718,740)	\$	-	\$ (8,718,740)	\$ -
	(1,664,482)		-	(1,664,482)	-
	(188,469)		-	(188,469)	-
	(1,748,987)		-	(1,748,987)	-
	(863,189)		-	(863,189)	-
	(938,896)		-	(938,896)	-
	(230,683)		-	(230,683)	-
	(2,044,074)		-	(2,044,074)	-
	(721,471)		-	(721,471)	-
	(1,177)		-	(1,177)	-
	(2,704,725)		-	(2,704,725)	-
	(854,094)		-	(854,094)	-
	785		-	785	-
	(31,959)		-	(31,959)	-
	(372,007)		-	(372,007)	-
	(395,525)		-	(395,525)	-
	<u>(21,477,693)</u>		<u>-</u>	<u>(21,477,693)</u>	<u>-</u>
	-		44,473	44,473	-
	-		(5,853)	(5,853)	-
	-		38,620	38,620	-
	<u>(21,477,693)</u>		<u>38,620</u>	<u>(21,439,073)</u>	<u>-</u>
	-		-	-	973
	-		-	-	973
	10,618,499		-	10,618,499	-
	149,791		-	149,791	-
	773,807		-	773,807	-
	210,999		-	210,999	-
	289,251		-	289,251	-
	9,885,751		-	9,885,751	182,685
	188,655		5,263	193,918	-
	196,141		-	196,141	-
	<u>22,312,894</u>		<u>5,263</u>	<u>22,318,157</u>	<u>182,685</u>
	835,201		43,883	879,084	183,658
	<u>18,242,689</u>		<u>206,295</u>	<u>18,448,984</u>	<u>34,314</u>
\$	<u>19,077,890</u>	\$	<u>250,178</u>	<u>19,328,068</u>	<u>217,972</u>

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,456,307	\$ 2,209,373	\$ 4,665,680
Cash with fiscal agent	-	2,367	2,367
Receivables:			
Taxes	10,864,894	1,179,859	12,044,753
Accounts	27,273	-	27,273
Intergovernmental	-	148,726	148,726
Accrued interest	148	-	148
Interfund loans	254,328	-	254,328
Due from other funds	86	-	86
Prepayments	93,871	-	93,871
Restricted assets:			
Equity in pooled cash and cash equivalents	177,043	-	177,043
Total assets.	<u>\$ 13,873,950</u>	<u>\$ 3,540,325</u>	<u>\$ 17,414,275</u>
Liabilities:			
Accounts payable	\$ 4,501	\$ 10,244	\$ 14,745
Accrued wages and benefits	1,557,115	199,631	1,756,746
Compensated absences payable	59,050	-	59,050
Pension obligation payable.	476,169	60,294	536,463
Due to other funds	-	86	86
Intergovernmental payable	126,081	12,098	138,179
Interfund loan payable	-	254,328	254,328
Unearned revenue.	9,746,824	1,058,443	10,805,267
Deferred revenue	620,845	216,146	836,991
Accrued interest payable	-	2,589	2,589
Notes payable.	-	350,000	350,000
Total liabilities.	<u>12,590,585</u>	<u>2,163,859</u>	<u>14,754,444</u>
Fund Balances:			
Reserved for encumbrances	244,040	144,259	388,299
Reserved for textbooks.	163,789	-	163,789
Reserved for school bus purchases	13,254	-	13,254
Reserved for debt service.	-	867,313	867,313
Reserved for property tax unavailable for appropriation	497,225	53,996	551,221
Reserved for prepayments	93,871	-	93,871
Unreserved, undesignated, (deficit) reported in:			
General fund	271,186	-	271,186
Special revenue funds.	-	(211,575)	(211,575)
Capital projects funds.	-	522,473	522,473
Total fund balances.	<u>1,283,365</u>	<u>1,376,466</u>	<u>2,659,831</u>
Total liabilities and fund balances.	<u>\$ 13,873,950</u>	<u>\$ 3,540,325</u>	<u>\$ 17,414,275</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$	2,659,831
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			27,872,280
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	688,265	
Intergovernmental revenue		<u>148,726</u>	
Total			836,991
Accrued interest payable is not due and payable within the current period, therefore it is not reported in the funds.			(36,823)
Unamortized premiums on bond issuance is not recognized in the funds.			(586,418)
Unamortized bond issuance costs are not recognized in the funds.			119,940
Unamortized deferred charges on refundings are not recognized in the funds.			466,477
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(2,815,000)	
School improvement refunding bonds		(6,204,606)	
Energy conservation notes		(716,375)	
Capital lease obligation		(736,292)	
Compensated absences		<u>(1,782,115)</u>	
Total			<u>(12,254,388)</u>
Net assets of governmental activities		\$	<u><u>19,077,890</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 10,531,313	\$ 1,124,089	\$ 11,655,402
Tuition	1,016,814	-	1,016,814
Transportation fees	39,529	-	39,529
Earnings on investments	187,678	4,945	192,623
Extracurricular	100	297,396	297,496
Classroom materials and fees	360	-	360
Payments in lieu of taxes	289,250	-	289,250
Other local revenues	138,681	153,011	291,692
Intergovernmental - Intermediate	17,493	60,400	77,893
Intergovernmental - State	10,468,654	730,002	11,198,656
Intergovernmental - Federal	-	1,615,938	1,615,938
Total revenue	<u>22,689,872</u>	<u>3,985,781</u>	<u>26,675,653</u>
Expenditures:			
Current:			
Instruction:			
Regular	9,278,917	348,977	9,627,894
Special	2,268,436	637,527	2,905,963
Vocational	188,611	-	188,611
Other	1,670,582	-	1,670,582
Support Services:			
Pupil	837,152	257,481	1,094,633
Instructional staff	900,545	562,212	1,462,757
Board of Education	230,683	-	230,683
Administration	1,924,249	2,769	1,927,018
Fiscal	655,174	26,281	681,455
Business	1,177	-	1,177
Operations and maintenance	2,415,257	157,400	2,572,657
Pupil transportation	645,995	191,671	837,666
Central	952	-	952
Operation of non-instructional services	-	548,110	548,110
Extracurricular activities	342,860	283,891	626,751
Facilities acquisition and construction	362	223,041	223,403
Debt service:			
Principal retirement	77,165	250,971	328,136
Interest and fiscal charges	40,918	332,096	373,014
Bond issue costs	-	121,767	121,767
Total expenditures	<u>21,479,035</u>	<u>3,944,194</u>	<u>25,423,229</u>
Excess of revenues over expenditures	<u>1,210,837</u>	<u>41,587</u>	<u>1,252,424</u>
Other financing sources (uses):			
Premium on refunding bonds	-	595,348	595,348
Sale of refunding of bonds	-	6,200,000	6,200,000
Payment to refunded bond escrow agent	-	(6,673,581)	(6,673,581)
Sale of assets	-	93,250	93,250
Transfers in	-	400,000	400,000
Transfers (out)	(350,000)	(50,000)	(400,000)
Total other financing sources (uses)	<u>(350,000)</u>	<u>565,017</u>	<u>215,017</u>
Net change in fund balances	860,837	606,604	1,467,441
Fund balances at beginning of year	<u>422,528</u>	<u>769,862</u>	<u>1,192,390</u>
Fund balances at end of year	<u>\$ 1,283,365</u>	<u>\$ 1,376,466</u>	<u>\$ 2,659,831</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds		\$ 1,467,441
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 249,805	
Current year depreciation	<u>(1,201,918)</u>	
Total		(952,113)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(6,346)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	97,694	
Intergovernmental	<u>93,930</u>	
Total		191,624
Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		328,136
Issuance of refunding bonds are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		(6,200,000)
Payments to refunded bond escrow agents for the retirement of bonds are an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:		
Bonds refunded	6,200,000	
Deferred charges on refundings	<u>473,581</u>	
Total		6,673,581
Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(595,348)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		121,767
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Increase in accrued interest payable	(17,904)	
Accreted interest on "capital appreciation bonds"	(4,606)	
Amortization of bond issuance costs	(1,827)	
Amortization of bond premiums	8,930	
Amortization of deferred charges on refundings	<u>(7,104)</u>	
Total		(22,511)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		<u>(171,030)</u>
Change in net assets of governmental activities		<u>\$ 835,201</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
From local sources:				
Taxes	\$ 9,941,048	\$ 9,941,048	\$ 10,279,757	\$ 338,709
Tuition	996,206	996,206	1,030,148	33,942
Transportation fees	30,010	30,010	31,033	1,023
Earnings on investments	181,438	181,438	187,620	6,182
Extracurricular	97	97	100	3
Classroom materials and fees	348	348	360	12
Payments in lieu of taxes	279,719	279,719	289,250	9,531
Other local revenues	116,053	116,053	118,275	2,222
Intergovernmental - Intermediate sources	16,916	16,916	17,493	577
Intergovernmental - State	10,123,721	10,123,721	10,468,654	344,933
Total revenue	<u>21,685,556</u>	<u>21,685,556</u>	<u>22,422,690</u>	<u>737,134</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,921,805	9,175,963	9,488,770	(312,807)
Special	2,122,518	2,182,983	2,257,400	(74,417)
Vocational	176,404	181,429	187,614	(6,185)
Other	1,590,835	1,636,153	1,691,929	(55,776)
Support Services:				
Pupil	779,319	801,520	828,844	(27,324)
Instructional staff	835,682	859,488	888,788	(29,300)
Board of Education	200,066	205,765	212,779	(7,014)
Administration	1,762,854	1,813,073	1,874,880	(61,807)
Fiscal	625,437	643,254	665,182	(21,928)
Business	1,517	1,560	1,613	(53)
Operations and maintenance	2,322,351	2,388,508	2,469,932	(81,424)
Pupil transportation	665,971	684,943	708,293	(23,350)
Central	895	920	952	(32)
Extracurricular activities	340,025	349,711	361,633	(11,922)
Facilities acquisition and construction	75,169	77,310	79,945	(2,635)
Total expenditures	<u>20,420,848</u>	<u>21,002,580</u>	<u>21,718,554</u>	<u>(715,974)</u>
Excess of revenues over expenditures	<u>1,264,708</u>	<u>682,976</u>	<u>704,136</u>	<u>21,160</u>
Other financing sources (uses):				
Refund of prior year expenditure	82	82	85	3
Sale of assets	2,712	2,712	2,804	92
Transfers (out)	(338,489)	(348,132)	(350,000)	(1,868)
Advances (out)	-	-	(8,000)	(8,000)
Total other financing sources (uses)	<u>(335,695)</u>	<u>(345,338)</u>	<u>(355,111)</u>	<u>(9,773)</u>
Net change in fund balance	929,013	337,638	349,025	11,387
Fund balance at beginning of year	1,973,853	1,973,853	1,973,853	-
Prior year encumbrances appropriated	62,097	62,097	62,097	-
Fund balance at end of year	<u>\$ 2,964,963</u>	<u>\$ 2,373,588</u>	<u>\$ 2,384,975</u>	<u>\$ 11,387</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

		<u>Business - Type Activities</u> <u>Nonmajor Enterprise Funds</u>
Assets:		
Current:		
Equity in pooled cash		
and cash equivalents	\$	242,693
Receivables:		
Intergovernmental		69,304
Materials and supplies inventory.		51,692
		<hr/>
Total current assets.		363,689
		<hr/>
Noncurrent:		
Capital assets:		
Depreciable capital assets, net		10,152
		<hr/>
Total assets		373,841
		<hr/>
Liabilities:		
Current:		
Accrued wages and benefits		46,966
Compensated absences.		3,516
Pension obligation payable.		35,631
Intergovernmental payable		2,437
		<hr/>
Total current liabilities		88,550
		<hr/>
Long-term liabilities:		
Compensated absences payable.		35,113
		<hr/>
Total liabilities		123,663
		<hr/>
Net assets:		
Invested in capital assets, net		
of related debt.		10,152
Unrestricted.		240,026
		<hr/>
Total net assets	\$	250,178
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business - Type Activities
	Nonmajor Enterprise Funds
Operating revenues:	
Sales/charges for services.	\$ 387,018
Classroom fees.	100,199
	487,217
Operating expenses:	
Personal services.	428,477
Purchased services.	4,658
Materials and supplies.	400,237
Depreciation.	6,746
	840,118
Total operating revenues.	487,217
Total operating expenses.	840,118
Operating loss.	(352,901)
Nonoperating revenue:	
Interest.	5,263
Federal donated commodities.	45,897
Intergovernmental.	345,624
	396,784
Total nonoperating revenues.	396,784
Change in net assets.	43,883
Net assets at beginning of year.	206,295
Net assets at end of year.	\$ 250,178

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

		Business - Type Activities
		<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:		
Cash received from sales/charges for services.	\$	387,060
Cash received from classroom fees.		100,199
Cash payments for personal services.		(418,562)
Cash payments for contractual services		(4,658)
Cash payments for materials and supplies		<u>(369,807)</u>
Net cash used in operating activities		<u>(305,768)</u>
Cash flows from noncapital financing activities:		
Cash received from grants.		<u>317,013</u>
Net cash provided by noncapital financing activities.		<u>317,013</u>
Cash flows from investing activities:		
Interest received		<u>5,263</u>
Net cash provided by investing activities		<u>5,263</u>
Net increase in cash and cash equivalents		16,508
Cash and cash equivalents at beginning of year		<u>226,185</u>
Cash and cash equivalents at end of year	\$	<u>242,693</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss.	\$	(352,901)
Adjustments:		
Depreciation		6,746
Federal donated commodities.		45,897
Changes in assets and liabilities:		
Decrease in accounts receivable.		42
(Increase) in materials and supplies inventory		(13,890)
(Decrease) in accounts payable.		(1,577)
Increase in accrued wages and benefits		2,618
Increase in intergovernmental payable.		754
Increase in compensated absences payable		3,450
Increase in pension obligation payable		<u>3,093</u>
Net cash used in operating activities	\$	<u>(305,768)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trust	
	Scholarships	Agency
Assets:		
Equity in pooled cash and cash equivalents and investments.	\$ 25,613	\$ 69,039
Total assets	25,613	\$ 69,039
Liabilities:		
Accounts payable.	-	\$ 530
Due to students.	-	68,509
Total liabilities	-	\$ 69,039
Net Assets:		
Held in trust for scholarships	25,613	
Total net assets.	\$ 25,613	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trust
	Scholarships
Additions:	
Interest	\$ 3,117
Total additions	3,117
Deductions:	
Scholarships awarded	299
Change in net assets	2,818
Net assets at beginning of year.	22,795
Net assets at end of year	\$ 25,613

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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) was 2,795. The District employed 217 certificated employees and 153 non-certificated employees. The District ranks as the 170th largest by enrollment among the 876 public and community school districts in the State.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The District has elected not to apply these FASB Statements and Interpretations. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has one component unit which is described below. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The following organizations are described due to their relationship to the District:

COMPONENT UNIT

Tiffin City Schools Digital Academy

The Tiffin City Schools Digital Academy (the "Digital Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Digital Academy is a new conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The Digital Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Digital Academy Board of Directors may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Digital Academy. The District is able to impose its will upon the operations for the Digital Academy; therefore, the financial activity of the Digital Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Digital Academy at 244 South Monroe Street, Tiffin, OH 44883.

JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

INSURANCE PURCHASING POOLS

North Central Ohio Joint Self-Insurance Association (the "Association")

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts – Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, 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, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 13.B for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. 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. Refer to Note 13.C for further information on this group rating plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds.

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District's nonmajor enterprise funds include:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the District.

Uniform School Supplies Fund - This fund accounts for the purchase and sale of school supplies as adopted by the Board of Education for use in the schools of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: 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 scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has one agency fund to account for student activities.

C. Basis of Presentation and Measurement Focus

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 government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 are 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. The comparison of direct expenses with 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 - Fund financial statements report detailed information about the District. 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 separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this 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 fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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 on the fund financial statements. 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. For the District, available means expected to be received within thirty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

On governmental fund financial statements, receivables that will not be collected within the available period have 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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 at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

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 amount 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, cash received by the District, other than amounts held by a fiscal agent, is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Cash and cash equivalents held on-behalf of the District by the North Central Ohio Educational Service Center are included on the financial statements as "Cash with Fiscal Agent".

During fiscal year 2007, investments were limited to repurchase agreements and shares of common stock. Except for nonparticipating investment contracts investments are reported at fair value which is based on quoted market prices. Investment contracts, such as repurchase agreements, are reported at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with a gift of stock to its private-purpose trust fund. No public funds were used to acquire the stock. At the time the common stock was endowed to the District its value was \$1,383. Due to changes in fair value, at June 30, 2007, the common stock has increased in value by \$2,581.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$187,678 which includes \$86,948 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities 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 are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Inventory

Inventories of proprietary funds are accounted for using the consumption method and are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

H. 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 respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500 for its general capital assets. 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 enterprise capital assets is also capitalized.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	15 years	N/A
Building and improvements	40 years	N/A
Furniture and equipment	8 years	10 years
Vehicles	5 years	N/A

I. 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. The District had no internal balances at June 30, 2007.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

K. 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, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability in the fund financial statements when due.

L. Unamortized Bond Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance and costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10 A.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, textbooks, school bus purchases, debt service, property taxes, and prepayments in the governmental funds.

The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

N. 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for textbooks and school bus purchases.

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include monies restricted by State statute for the purchase of textbooks and instructional materials, and school bus purchases. See Note 18 for additional information regarding set-asides and the related restricted assets.

R. Operating Revenues and Expenses

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 including claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating.

S. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 nonoperating revenues/expenses 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.

T. 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 year 2007.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
EMIS	\$ 71
Ohio Reads	4,441
Alternative Schools	20,902
Title VI-B	105,097
Title I	99,733
Title V	6,062
Emergency School Repair	4,260
Drug Free Schools	86
Classroom Reduction	83,533
Miscellaneous Federal Grants	21,228
Building	341,023

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the EMIS fund resulted from adjustments for accrued liabilities.

The deficit fund balances in the, Title V, Miscellaneous Federal Grants and Emergency School Repair funds resulted from the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

The deficit fund balances in the Ohio Reads, Title VI-B, Title I, Alternative Schools and Classroom Reduction funds resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities.

The deficit fund balance in the Drug Free Schools fund is due to the negative cash balance in the fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit fund balance in the Building fund resulted from the reporting of notes payable as a fund liability rather than as an other financing source.

B. Noncompliance

- i.* The District had expenditures in excess of appropriations throughout the fiscal year and at June 30, 2007, in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.
- ii.* The District had appropriations exceeding resources at June 30, 2007 and throughout the fiscal year ended in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in such securities described are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the District had \$1,500 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$2,367 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the financial statements as "Cash with Fiscal Agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 40.

C. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$150,604, exclusive of the \$5,024,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$330,720 of the District's bank balance of \$441,819 was exposed to custodial risk as discussed below, while \$111,099 was covered by the Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

D. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 5,024,000	\$ 5,024,000
Stock	3,964	3,964
Total	<u>\$ 5,027,964</u>	<u>\$ 5,027,964</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less. The District's investment policy limits investment in commercial paper to maturities of 180 days or less from the date of purchase.

Credit Risk: The District's investment in stock were rated BB+ and Baa2 by Standard & Poor's and Moody's Investor Services, respectively. The federal agency securities that underlie the District's repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's \$5,024,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 5,024,000	99.92
Stock	<u>3,964</u>	<u>0.08</u>
Total	<u>\$ 5,027,964</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per note</u>	
Carrying amount of deposits	\$ 150,604
Investments	5,027,964
Cash with fiscal agent	2,367
Cash on hand	<u>1,500</u>
Total	<u>\$ 5,182,435</u>
 <u>Cash and Investments per statement of net assets</u>	
Governmental activities	\$ 4,845,090
Business type activities	242,693
Private-purpose trust funds	25,613
Agency funds	<u>69,039</u>
Total	<u>\$ 5,182,435</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable for the year ended June 30, 2007 as reported on the fund statements, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 254,328

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated for reporting on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund		\$ 350,000
Nonmajor Governmental Fund		50,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The \$50,000 transfer from the Debt Service fund (a nonmajor governmental fund) to the Permanent Improvement fund (a nonmajor governmental fund) was required to report the retirement of notes payable which, for GAAP purposes, are reported as a fund liability of the Permanent Improvement fund (see Note 11).

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities.

- C. At June 30, 2007, the Drug Free Schools Grant fund (a nonmajor special revenue fund) had a negative cash balance. This fund overdraft of the internal investment pool is reported as a fund liability.

<u>Major Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 86	\$ -
<u>Nonmajor Governmental Funds</u>		
Drug-free schools grant	-	86
Total	<u>\$ 86</u>	<u>\$ 86</u>

Amounts due to/from other funds between governmental funds have been eliminated for reporting on the government-wide statement of net assets.

NOTE 6 - PROPERTY TAXES

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006 on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007 and will be reduced to 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$497,225 in the general fund, \$37,133 in the Debt Service fund (a nonmajor governmental fund), \$9,817 in the Permanent Improvement fund (a nonmajor governmental fund) and \$7,046 in the Middle School Maintenance fund (a nonmajor governmental fund). The amount that was available as an advance at June 30, 2006 was \$245,669 in the general fund, \$17,851 in the Debt Service fund (a nonmajor governmental fund), \$4,885 in the Permanent Improvement fund (a nonmajor governmental fund) and \$3,464 in the Middle School Maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Public Utility	\$ 315,949,190	86.71	\$ 337,904,730	94.76
Tangible Personal Property	<u>48,440,424</u>	<u>13.29</u>	<u>18,670,058</u>	<u>5.24</u>
Total	<u>\$ 364,389,614</u>	<u>100.00</u>	<u>\$ 356,574,788</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.15		\$ 52.55	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Taxes	\$ 12,044,753
Accounts	27,273
Accrued interest	148
Intergovernmental	<u>148,726</u>
Total governmental activities	<u>\$ 12,220,900</u>

Business-Type Activities

Intergovernmental	\$ 69,304
Total business-type activities	<u>\$ 69,304</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2007</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,970,234	\$ -	\$ (6,346)	\$ 3,963,888
Total capital assets, not being depreciated	<u>3,970,234</u>	<u>-</u>	<u>(6,346)</u>	<u>3,963,888</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,973,014	55,122	-	2,028,136
Building and improvements	24,796,660	32,913	-	24,829,573
Furniture and equipment	6,472,245	80,195	-	6,552,440
School buses and vehicles	<u>1,731,596</u>	<u>81,575</u>	<u>-</u>	<u>1,813,171</u>
Total capital assets, being depreciated	<u>34,973,515</u>	<u>249,805</u>	<u>-</u>	<u>35,223,320</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,017,848)	(136,797)	-	(1,154,645)
Building and improvements	(2,479,244)	(646,486)	-	(3,125,730)
Furniture and equipment	(5,111,073)	(346,286)	-	(5,457,359)
School buses and vehicles	<u>(1,504,845)</u>	<u>(72,349)</u>	<u>-</u>	<u>(1,577,194)</u>
Total accumulated depreciation	<u>(10,113,010)</u>	<u>(1,201,918)</u>	<u>-</u>	<u>(11,314,928)</u>
Total capital assets, being depreciated, net	<u>24,860,505</u>	<u>(952,113)</u>	<u>-</u>	<u>23,908,392</u>
Governmental activities capital assets, net	<u>\$ 28,830,739</u>	<u>\$ (952,113)</u>	<u>\$ (6,346)</u>	<u>\$ 27,872,280</u>
Business-Type Activities:				
<i>Capital assets, being depreciated:</i>				
Furniture/equipment	\$ 383,512	\$ -	\$ -	\$ 383,512
Less: accumulated depreciation	<u>(366,614)</u>	<u>(6,746)</u>	<u>-</u>	<u>(373,360)</u>
Business-type activities capital assets, net	<u>\$ 16,898</u>	<u>\$ (6,746)</u>	<u>\$ -</u>	<u>\$ 10,152</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 451,862
Special	136,384
Vocational	8,852
Other	78,405
Support Services:	
Pupil	51,354
Instructional staff	68,540
Administration	90,294
Fiscal	31,843
Operations and maintenance of plant	120,065
Pupil transportation	109,135
Central	45
Noninstructional Services	25,724
Extracurricular	<u>29,415</u>
Total Depreciation expense	<u>\$ 1,201,918</u>

Depreciation expense of \$6,746 for the business-type activities was charged to the Food Service nonmajor enterprise fund.

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District has entered into capitalized leases for the acquisition of boilers and windows in conjunction with its Energy Conservation notes and House Bill 264, and for the acquisition of three buses.

These 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 reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of school buses, boilers and windows have been capitalized in the amount of \$1,085,098. These amounts represent the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2007 fiscal year totaled \$77,165 and \$40,918, respectively. These amounts are reported as debt service payments of the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

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, 2007:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 125,318
2009	125,318
2010	125,318
2011	86,819
2012	86,819
2013 - 2017	<u>361,745</u>
Total minimum lease payment	911,337
Less: amount representing interest	<u>(175,045)</u>
Present value of minimum lease payments	<u>\$ 736,292</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Citicorp-Energy Conservation Note, 5.25%; Matures 7/15/2015	\$ 792,346	\$ -	\$ (75,971)	\$ 716,375	\$ 80,057
School Improvement General Obligation Bonds, 2.90% to 6.15% Matures 12/01/2014	9,190,000	-	(6,375,000)	2,815,000	355,000
School Improvement Refunding Bonds, 3.75 to 4.00% matures 12/01/2023	-	6,204,606	-	6,204,606	180,000
Compensated Absences	1,707,755	286,227	(152,817)	1,841,165	162,400
Severance Bonus Payable	5,000	-	(5,000)	-	-
Capital Lease	<u>813,457</u>	<u>-</u>	<u>(77,165)</u>	<u>736,292</u>	<u>88,682</u>
Total Governmental Activities	<u>\$ 12,508,558</u>	<u>\$ 6,490,833</u>	<u>\$ (6,685,953)</u>	12,313,438	<u>\$ 866,139</u>
Less: deferred charge on refunding				(466,477)	
Add: unamortized premium				<u>586,418</u>	
Total on statement of net assets				<u>\$ 12,433,379</u>	
Business-Type Activities					
Compensated Absences Payable	<u>\$ 35,179</u>	<u>\$ 3,450</u>	<u>\$ -</u>	<u>\$ 38,629</u>	<u>\$ 3,516</u>

**TIFFIN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences will be paid from the funds from which the employees' salaries are paid. The payments primarily will be made from the general fund for the governmental activities and the food service fund for the business-type activities. The severance bonus payable was paid from the general fund.

Capital leases are described in Note 9.

- B.** The school improvement general obligation bonds were issued to provide the resources for school improvement projects undertaken by the District. These bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Principal and interest related to these bonds are made from the Debt Service fund (a nonmajor governmental fund). During fiscal year 2007, the District made a \$175,000 principal payment and refunded \$6,200,000 of the general obligation bonds (see Note 10.D).

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2001 general obligation bonds:

Fiscal Year Ending June 30.	School Improvement General Obligation Bonds		
	Principal	Interest	Total
2008	\$ 355,000	\$ 461,805	\$ 816,805
2009	370,000	447,427	817,427
2010	385,000	432,073	817,073
2011	400,000	415,710	815,710
2012	415,000	398,110	813,110
2013 - 2014	<u>890,000</u>	<u>739,295</u>	<u>1,629,295</u>
Total	<u>\$ 2,815,000</u>	<u>\$ 2,894,420</u>	<u>\$ 5,709,420</u>

- C.** The energy conservation notes were issued to provide resources for energy improvements made to various District buildings. Principal and interest related to these notes are made from the Debt Service fund (a nonmajor governmental fund).

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation note:

Fiscal Year Ending June 30.	Energy Conservation Note		
	Principal	Interest	Total
2008	\$ 80,057	\$ 36,573	\$ 116,630
2009	84,362	32,314	116,676
2010	88,898	27,826	116,724
2011	93,681	23,097	116,778
2012	98,719	18,113	116,832
2013 - 2015	<u>270,658</u>	<u>21,686</u>	<u>292,344</u>
Total	<u>\$ 716,375</u>	<u>\$ 159,609</u>	<u>\$ 875,984</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- D.** On May 1, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2001 School Improvement General Obligation Bonds (principal of \$6,200,000 refunded). The issuance proceeds were deposited in an Escrow Fund and will be used to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$5,990,000, and capital appreciation bonds, par value \$210,000. The capital appreciation bonds mature between December 1, 2015 and December 1, 2018 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,195,000. Total accreted interest of \$4,606 has been included in the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$473,581. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by 6.16% and resulted in an economic gain of \$381,861.

The following is a schedule of activity for fiscal 2007 on the Series 2007 refunding bonds:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2007</u>
Current interest bonds	\$ -	\$ 5,990,000	\$ -	\$ 5,990,000
Capital appreciation bonds	-	210,000		\$ 210,000
Accreted interest on capital appreciation bonds	-	4,606	-	4,606
Total refunding bonds	<u>\$ -</u>	<u>\$ 6,204,606</u>	<u>\$ -</u>	<u>\$ 6,204,606</u>

The following is a summary of the future debt service requirements to maturity for the Series 2007 refunding bonds:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 180,000	\$ 233,681	\$ 413,681	\$ -	\$ -	\$ -
2009	95,000	228,525	323,525	-	-	-
2010	100,000	224,869	324,869	-	-	-
2011	100,000	221,119	321,119	-	-	-
2012	100,000	217,369	317,369	-	-	-
2013 - 2017	1,085,000	977,997	2,062,997	185,000	850,000	1,035,000
2018 - 2022	2,875,000	606,300	3,481,300	25,000	135,000	160,000
2023 - 2024	1,455,000	58,700	1,513,700	-	-	-
Total	<u>\$ 5,990,000</u>	<u>\$ 2,768,560</u>	<u>\$ 8,758,560</u>	<u>\$ 210,000</u>	<u>\$ 985,000</u>	<u>\$ 1,195,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Ohio Revised Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$21,733,081 (including available funds of \$911,558) and an unvoted debt margin of \$335,406.

NOTE 11 - NOTE PAYABLE

The District issued a \$350,000 site-acquisition tax anticipation note on May 4, 2007. The note bears an interest rate of 5.00% and matures on May 5, 2008. The note is recorded as a fund liability of the building fund (a nonmajor governmental fund). The proceeds were used to retire a \$400,000 site-acquisition tax anticipation note that was issued on May 4, 2006 and matured on May 4, 2007. The following is a summary of the note payable activity for 2007:

	Balance 6/30/06	Issued	Retired	Balance 6/30/07
Site-acquisition note - 5.00%	\$ -	\$ 350,000	\$ -	\$ 350,000
Site-acquisition note - 4.85%	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>
 Total	 <u>\$ 400,000</u>	 <u>\$ 350,000</u>	 <u>\$ (400,000)</u>	 <u>\$ 350,000</u>

NOTE 12 - COMPENSATED ABSENCES

A. 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.

B. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of 1 ¼ days for each calendar month under contract. Sick leave is cumulative to 265 days.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - COMPENSATED ABSENCES - (Continued)

C. 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 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 non-certified employee's accrued but unused sick leave days at the time of retirement based on 25% of accumulative sick leave to a maximum of 65 days.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District maintains comprehensive insurance coverage with a private carrier for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. Real property contents are fully registered. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductions: The following is a description of the District's insurance coverages and deductibles.

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 2,000,000	General Aggregate	
	\$ 2,000,000	Products/Completed Ops. Aggregate	
	\$ 1,000,000	Personal & Advertising Injury	
	\$ 1,000,000	Each Occurrence	
	\$ 300,000	Fire Damage	
	\$ 5,000	Medical Expense	
Vehicle Policy	\$ 1,000,000	Bodily Injury	\$ 250
	\$ 1,000,000	Proprty Damage	
	\$ 10,000	Medical Payments	
	\$ 1,000,000	Uninsured Motorist	
Building and Contents	\$ 41,505,618		\$ 2,500
Blanket Business Personal Property	\$ 4,937,725		\$ 2,500
Worker Compensation	\$ 1,000,000	Employer's Liability - Each Accident	
	\$ 1,000,000	Disease - Policy Limit	
	\$ 1,000,000	Each employee	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - RISK MANAGEMENT - (Continued)

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Data Processing Equipment	\$ 1,000,000	\$500/100
Blanket Bond	\$ 10,000 Per Individual	
Crime	\$ 3,000	No deductible
Robbery & Safe Burglary	\$ 5,000	No deductible

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

B. Health Insurance

The District is a member of the North Central Ohio Joint Self-Insurance Association (the "Association"). This organization is a public entity risk pool consisting of the District, 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.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A). The Group Rating Plan'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 Ohio School Boards Association, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Group Rating Plan to cover the costs of administering the Plan.

The intent of the Group Rating Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Group Rating Plan. 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 Group Rating Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Group Rating Plan 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 Group Rating Plan. 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 Group Rating Plan. Participation in the Group Rating Plan is limited to school districts that can meet the Group Rating Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Group Rating Plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefit. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007 2006 and 2005 were \$324,753, \$358,466, and \$346,220, respectively; 40.82% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$192,176 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,459,166, \$1,412,812, and \$1,509,965, respectively 83.52% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$240,415 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability. Contributions to the DC and Combined Plans for fiscal 2007 were \$13,238 made by the District and \$21,126 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$112,244 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS Ohio had 122,934 eligible benefit recipients.

**TIFFIN CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$159,040 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Advances-In and Advances-Out are operating transaction (budget basis) as opposed to balance sheet transactions (GAAP basis).

**TIFFIN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General Fund</u>
Budget basis	\$ 349,025
Net adjustment for revenue accruals	267,182
Net adjustment for expenditure accruals	(8,942)
Net adjustment for other sources/uses	5,111
Adjustment for encumbrances	<u>248,461</u>
GAAP basis	<u>\$ 860,837</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 18 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts 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 to be used for the same purposes in future years. In prior years, the District was also required to set-aside certain BWC refunds whose use was restricted for budget stabilization by State statute. The textbooks/instructional material set-aside balance at June 30, 2006 has been restated due to the District re-examining fiscal 2006 and prior expenditures for additional qualifying amounts. The Budget Stabilization Reserve also is being restated due to qualifying Board approved expenditures in prior years being eligible to reduce the set-a-side.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 18 - STATUTORY RESERVES - (Continued)

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserve</u>
Set-aside balance			
as of June 30, 2006 (restated)	\$ 99,139	\$ -	\$ 71,932
Current year set-aside requirement	422,016	422,016	-
Qualifying disbursements	<u>(357,366)</u>	<u>(638,087)</u>	<u>(71,932)</u>
Total	<u>\$ 163,789</u>	<u>\$ (216,071)</u>	<u>\$ -</u>
Balance carried forward			
to fiscal year 2008	<u>\$ 163,789</u>	<u>\$ -</u>	<u>\$ -</u>

The District had enough qualifying expenditures to reduce the set-aside amount below zero for the capital acquisition reserve; however, this amount may not be carried forward to future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases in the amount of \$13,254.

A schedule of the restricted assets at June 30, 2007 follows:

	<u>Amount</u>
Amount restricted for school bus purchases	\$ 13,254
Amount restricted for textbooks/instructional materials	<u>163,789</u>
Total	<u>\$ 177,043</u>

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

Effective January 31, 2007, Jennifer Hedrick resigned as Treasurer of the District. Pat Penny has been named the Interim Treasurer.

NOTE 20 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY

The Tiffin City Schools Digital Academy (the "Digital Academy") is a discretely presented component unit of the Tiffin City School District (the "District"). The District is the Sponsor of the Digital Academy. The Digital Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Tiffin City Schools Digital Academy, 244 S. Monroe Street, Tiffin, OH 44883-2906.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 20 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)

A. Significant Accounting Policies

The basic financial statements (BFS) of the Digital Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Digital Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Digital Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The Digital Academy's significant accounting policies are described below.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 20 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)

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

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Digital Academy applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. The Digital Academy did not have any restricted net assets at fiscal year end.

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

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

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

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

B. Deposits

At fiscal year end June 30, 2007, the carrying amount of the Digital Academy's deposits totaled \$157,470. The bank balance was \$314,093, of which \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 20 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)

C. Intergovernmental Receivables

The intergovernmental receivable of \$28,875 was for fiscal year 2007 state foundation payments which were not received at June 30, 2007. The intergovernmental receivable is considered collectible in full due to the stable condition of state programs.

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, is as follows:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2007</u>
Furniture and equipment	\$ 12,723	\$ 28,664	\$ -	\$ 41,387
Less: accumulated depreciation	<u>4,349</u>	<u>5,411</u>	<u>-</u>	<u>9,760</u>
Capital assets, net	<u>\$ 8,374</u>	<u>\$ 23,253</u>	<u>\$ -</u>	<u>\$ 31,627</u>

E. Risk Management

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

Coverage's are as follows:

General Liability:
Per occurrence \$ 1,000,000
Aggregate 2,000,000
Fire Damage Liability 300,000

There have been no claims filed against or on behalf of the Digital Academy.

F. Fiscal Agent and Payments to Sponsor

The Digital Academy does not employ any individuals within the Digital Academy itself. All employees are employed by the Sponsor. The sponsorship agreement states the Digital Academy shall acquire the services of a qualified fiscal officer. The Treasurer of the Tiffin City School District serves as the chief financial officer of the Digital Academy. The sponsorship agreement states, the Digital Academy shall perform the following functions:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 20 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)

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

The Digital Academy shall pay to the Sponsor such other amounts as are mutually agreed, including fees for any services provided to the Digital Academy by the Sponsor. During the year ended June 30, 2007, the Digital Academy incurred \$304,027 in expenses of which \$57,676 has been paid to the Tiffin City School District. The expenses were primarily related to salaries and benefits.

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

G. Contract with Tri-Rivers Educational Computer Association

The Digital Academy entered into a contract on June 16, 2006, for fiscal year 2007, with Tri-Rivers Educational Computer Association (TRECA). Under the contract, the following terms were agreed upon:

- TRECA shall provide the Digital Academy with instructional, supervisory/administrative, and technical services sufficient to substantially implement the Digital Academy's educational plan and the Digital Academy's assessment and accountability plan.

- All personnel providing services to the Digital Academy on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.

- The technical services provided by TRECA to the Digital Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.

- The Digital Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the Digital Academy, with primary responsibility for day-to day operations of the Digital Academy.

- Curricular services provided by TRECA shall be limited to the basic standardized curriculum developed by TRECA. Basic services do not include special education and related services.

- The Digital Academy shall pay TRECA \$3,650 per full-time student. Part-time students may be enrolled on such terms as agreed to by the parties.

For fiscal year 2007, \$125,049 was paid to TRECA.

To obtain TRECA's audited June 30, 2007 financial statements please contact Scott Armstrong, Treasurer, at scott@treca.org.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 20 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)

H. Related Party Transactions

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

Payments to the following related parties were as follows:

Tiffin City School District (Sponsor)	\$ 57,676
Jane Tomaszewski (Employee of Sponsor)	<u>80</u>
Total	<u>\$ 57,756</u>

I. Contingencies

Grants - The Digital Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Digital Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Digital Academy at June 30, 2007.

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

Full-time Equivalency - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. These conclusions of this review could result in state funding to be adjusted. The results of the fiscal year end 2007 review revealed no material adjustment to the Digital Academy's school funding.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 20 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)

J. Tax Exempt Status

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

K. Start-up Funding

The Digital Academy was awarded a total of \$50,000 in State Community School Grant funding payable during fiscal year 2004 and restricted for startup funding, of which \$50,000 was received during fiscal year 2004. These funds were used for the purchase of classroom materials and equipment and for legal and administrative services provided. All funds were used during fiscal year 2004 and there was no remaining balance at the fiscal year end.

The Digital Academy was awarded a total of \$150,000 for Phase I of the Federal Charter School Grant funding payable during fiscal year 2005, of which \$150,000 was received during fiscal year 2005. These funds were used for the purchase of classroom materials and equipment and for legal and administrative services provided. All funds were used during fiscal year 2005 and there was no remaining balance at the fiscal year end.

The Digital Academy received a contribution from the Tiffin City School District (Sponsor) to assist the Digital Academy with cash-flow issues during the start-up phase.

L. Net Assets

Federal Grant Funds	\$ 150,000
State Grant Funds	50,000
Contribution from Sponsor	25,000
Miscellaneous	940
Capital assets, net accumulated depreciation	8,374
Less:	
Total start-up expenses incurred for the periods ended June 30, 2005 and 2004	<u>(200,000)</u>
Net assets, June 30, 2006	<u>\$ 34,314</u>

SUPPLEMENTARY DATA

TIFFIN CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
(A) Food Donation	10.550	N/A	\$ -	\$ 45,897	\$ -	\$ 45,897
Total Food Donation			-	45,897	-	45,897
Nutrition Cluster						
(B), (E) School Breakfast Program	10.553	044891-05PU-2006	5,172	-	5,172	-
(B), (E) School Breakfast Program	10.553	044891-05PU-2007	15,184	-	15,184	-
Total School Breakfast Program			20,356	-	20,356	-
(B), (E) National School Lunch Program	10.555	044891-LLP4-2006	84,027	-	84,027	-
(B), (E) National School Lunch Program	10.555	044891-LLP4-2007	200,888	-	200,888	-
Total National School Lunch Program			284,915	-	284,915	-
Total Nutrition Cluster			305,271	-	305,271	-
Total U.S. Department of Agriculture			305,271	45,897	305,271	45,897
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	044891-C1S1-2007	393,941	-	383,794	-
Total Title I Grants to Local Educational Agencies			393,941	-	383,794	-
Special Education Grants to States	84.027	044891-6BSF-2006	21,358	-	58,014	-
Special Education Grants to States	84.027	044891-6BSF-2007	937,099	-	876,561	-
Total Special Education Grants to States			958,457	-	934,575	-
(D) Safe and Drug-Free Schools and Communities State Grant	84.186	044891-DRS1-2006	(4,173)	-	-	-
Safe and Drug-Free Schools and Communities State Grant	84.186	044891-DRS1-2007	17,768	-	13,681	-
Total Safe and Drug-Free Schools and Communities State Grant			13,595	-	13,681	-
State Grants for Innovative Program	84.298	044891-C2S1-2006	1,651	-	2,258	-
State Grants for Innovative Program	84.298	044891-C2S1-2007	6,196	-	6,196	-
Total State Grants for Innovative Program			7,847	-	8,454	-
Education Technology State Grant	84.318	044891-TJS1-2006	628	-	2,237	-
Education Technology State Grant	84.318	044891-TJS1-2007	10,314	-	10,245	-
Total Education Technology State Grant			10,942	-	12,482	-
Improving Teacher Quality State Grant	84.367	044891-TRS1-2006	52,402	-	19,586	-
Improving Teacher Quality State Grant	84.367	044891-TRS1-2007	117,231	-	113,451	-
Total Improving Teacher Quality State Grant			169,633	-	133,037	-
Total U.S. Department of Education			1,554,415	-	1,486,023	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE PASSED THROUGH THE SENECA COUNTY DEPARTMENT OF JOB AND FAMILY SERVICES						
Temporary Assistance to Needy Families	93.558	L469/M081	67,456	-	-	-
Total U.S. Department of Health and Human Service			67,456	-	-	-
Total Federal Financial Assistance			\$ 1,927,142	\$ 45,897	\$ 1,791,294	\$ 45,897

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on first-in, first-out basis.
- (C) This schedule was prepared on the cash basis of accounting
- (D) Amount of \$4,173 transferred to fiscal year 2007 grant year based on Ohio Department of Education Administrative Act
- (E) Included as part of "Nutrition Grant Cluster" in determining major program

Note 1: The Tiffin City School District has excluded financial assistance reported for its component unit the Tiffin City Schools Digital Academy



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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Tiffin City School District's basic financial statements and have issued our report thereon dated February 12, 2008. We did not audit the financial statements of Tiffin City Schools Digital Academy, Tiffin City School District's only discretely presented component unit. Tiffin City Schools Digital Academy's financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tiffin City School District is based on the report of the other auditors. 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. The financial statements of Tiffin City Schools Digital Academy were audited by other auditors in accordance with auditing standards generally accepted in the United States of America and in accordance with *Government Auditing Standards*. Accordingly, this report does not extend to Tiffin City Schools Digital Academy (the discretely presented component unit).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tiffin City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tiffin City School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Tiffin City School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tiffin City School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Tiffin City School District's financial statements that is more than inconsequential will not be prevented or detected by Tiffin City School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as 2007-TCSD-001 and 2007-TCSD-002.

Board of Education
Tiffin City School District

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

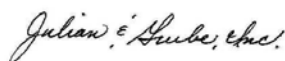
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tiffin City School 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 four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-TCSD-003, 2007-TCSD-004, 2007-TCSD-005, and 2007-TCSD-006,

We noted certain matters that we reported to the management of Tiffin City School District in a separate letter dated February 12, 2008.

Tiffin City School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Tiffin City School District's response and, accordingly, we express no opinion on it.

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



Julian & Grube, Inc.
February 12, 2008



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**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

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

Compliance

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

Tiffin City School District's basic financial statements include the operations of Tiffin City Schools Digital Academy, a component unit of Tiffin City School District. Tiffin City Schools Digital Academy received \$300,000, and expended \$202,682 in federal awards during fiscal year 2007 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Tiffin City School District for the fiscal year ended June 30, 2007. Our audit of federal awards, described below, did not include the operations of Tiffin City Schools Digital Academy. This component unit expended less than \$500,000 in federal grants for the fiscal year ended June 30, 2007 and thus was not required to have an audit of its federal awards in accordance with *OMB Circular A-133*.

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, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tiffin City School 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 Tiffin City School District's compliance with those requirements.

Board of Education
Tiffin City School District

In our opinion, Tiffin City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

The management of Tiffin City School 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 Tiffin City School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tiffin City School District's internal control over compliance.

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

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

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
February 12, 2008

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

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Grants to States - CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

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

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-TCSD-001

Significant Deficiency

This District was unable to provide a comprehensive detailed listing of capital assets in an easily auditable format including, but not limited to the following: description of the asset, location of the asset, asset tag number, cost, voucher number and vendor name, date placed in service, estimated useful life, depreciation method, depreciation expense and accumulated depreciation for the year by asset and the date asset retired and selling price if applicable.

The District obtained a valuation of capital assets at June 30, 2001. Since June 30, 2001, additions and disposals are recorded from detailed disbursements ledgers.

While, alternative and various methods of testing were able to be performed for purposes of the audit, the District lacks internal controls over their reporting of capital assets.

The District has undergone significant change in recent years regarding facilities. We recommend the District consider consulting with an appraisal company or take a physical inventory of District assets with their own sources. We further suggest the District consider a "tagging" method of asset inventory and prepare a detailed schedule that supports the cost, book value, and depreciation schedule for each item. This schedule should then be maintained on a current basis. We further recommend the District re-evaluate its policies, procedures and controls regarding additions and disposals of capital assets.

Complete information such as noted above on all capital assets will help provide controls for the safeguarding of these assets. Better assessment and evaluation could also be made regarding the reliability of certain capital assets and the District's future needs for improvements and replacements.

Client's Response: The District's Business Manager is working to individually identify and take a physical inventory of capital assets.

Finding Number	2007-TCSD-002
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Significant Deficiency

The District lacks controls over timely and accurate financial reports. The District consults with a firm to prepare its financial statements; however, the final documentation to complete that process was not received until the end of February, 2008, two months beyond the deadline for filing the financial report with the Auditor of State's Office and five months after the required deadline for the Federal Clearinghouse. The Auditor of State's Office did obtain an extension of time to file with the clearinghouse on behalf of the District.

There were constant delays in receiving timely and current financial information. This could significantly impact management's ability to effectively guide the District. Critical areas such as financial analysis could be negatively impacted.

We recommend the District management take a more active role in overseeing the financial reporting process. We further recommend that they evaluate steps necessary to ensure financial reports are issued in a timely manner. This will help ensure that reports are submitted as required.

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

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

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2007-TCSD-002 - (Continued)

Client's Response: The Treasurer is aware of the requirements and is making an effort to be more timely for 2008.

Finding Number	2007-TCSD-003
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Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The District had appropriations in excess of estimated resources at December 31, 2006 and June 30, 2007 in the following funds:

June 30, 2007

<u>Nonmajor Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
District Managed Student Activity Fund	\$ 314,182	\$ 350,000	\$ 35,818
Data Communication	18,945	21,000	2,055
Alternative Schools	44,426	50,000	5,574
IDEA Part B	889,355	1,000,000	110,645
Title I	368,257	395,000	26,743
Title V	10,235	11,800	1,565
Drug Free School Grant	13,805	15,225	1,420
Improving Teacher Quality	154,781	190,000	35,219
Bond Retirement	1,021,583	1,540,000	518,417
Permanent Improvement	510,497	550,000	39,503
SchoolNet	6,883	9,899	3,016
SchoolNet Technology	2,993	3,300	307
Endowments	371	500	129

December 31, 2006

<u>Nonmajor Funds</u>			
Alternative Schools	39,621	48,949	9,328
IDEA Part B	258,801	881,619	622,818
Title I	120,796	400,744	279,948
Title V	4,492	5,027	535
Drug Free School Grant	4,607	11,549	6,942
Improving Teacher Quality	141,174	149,492	8,318
Bond Retirement	1,021,583	1,300,000	278,417
Endowments	-	500	500

With appropriations exceeding estimated resources, the District is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over-appropriating may cause expenditures to increase and cause a deficit fund balance.

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

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

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2007-TCSD-003 - (Continued)

We recommend the District comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Treasurer will attempt to monitor appropriations more closely.

Finding Number	2007-TCSD-004
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The District had appropriations exceeding estimated resources throughout the fiscal year and at fiscal year end. Thus, the District did not request enough amended certificates throughout the fiscal year or at fiscal year end upon notice of increased or decreased resources in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the fiscal year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources more frequently throughout the year.

Finding Number	2007-TCSD-005
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Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

The District had expenditures in excess of appropriations at December 31, 2006 and June 30, 2007 in the following funds:

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

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

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2007-TCSD-005 - (Continued)

June 30, 2007

<u>Major Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General fund	\$ 21,350,712	\$ 22,068,554	\$ 717,842

Nonmajor Funds

Classroom Facilities Maintenance	200,025	292,677	92,652
Auxiliary Services	470,993	546,333	75,340
Management Information System	5,850	9,489	3,639
Ohio Reads	33,230	38,303	5,073
Miscellaneous State Grants	-	24,208	24,208
Building Fund	400	12,148	11,748
SchoolNet Technology	3,407	3,905	498
Uniform School Supplies	149,394	171,394	22,000

December 31, 2006

Nonmajor Funds

Miscellaneous Grants	6,290	10,322	4,032
Miscellaneous State Grants	-	24,208	24,208
Drug-Free School Grant	11,549	12,338	789
Title II-D Technology	4,151	16,239	12,088
Building Fund	400	12,148	11,748
SchoolNet Technology	107	2,122	2,015

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the appropriations on a more continual basis.

Client Response: The Treasurer will modify its appropriations as needed to be in compliance and monitor the expenditures on a regular basis.

Finding Number	2007-TCSD-006
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

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

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

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2007-TCSD-006 - (Continued)

The District did not timely modify its appropriations throughout the fiscal year.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary. We recommend that the Board adopt accounting policies for amending appropriations and include these policies in the Board's accounting policies and procedures manual, consider reviewing estimated resources and appropriations and expenditures versus appropriations on a monthly basis, and certify amendments to the Board of Commissioners as necessary. We recommend the Board utilize its accounting software or a spreadsheet to help monitor the budget.

Client Response: The District will more closely monitor its expenditures versus approved appropriations throughout the fiscal year and obtain additional approved modifications as necessary.

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

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-TCSD-001	This District was unable to provide a comprehensive detailed listing of capital assets in an easily auditable format.	No	Repeated as Finding 2007-TCSD-001
2006-TCSD-002	The District lacks controls over timely and accurate financial reports.	No	Repeated as Finding 2007-TCSD-002



Mary Taylor, CPA
Auditor of State

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
MAY 22, 2008**