

TIFFIN CITY SCHOOL DISTRICT

Audit Report

For the Year Ended June 30, 2005

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Tiffin City School District, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. 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

February 5, 2007

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**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY
 AUDIT REPORT
 For the Year Ending June 30, 2005**

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REPORT OF INDEPENDENT ACCOUNTANTS

Tiffin City School District
Seneca County
244 South Monroe Street
Tiffin, Ohio 44883

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 19 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Charles E. Harris & Associates, Inc.

August 28, 2006

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of Tiffin City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

Overall:

- For governmental activities, net assets increased \$216,514, which represents a 1.2 percent increase from 2004. Net assets of business-type related activities decreased \$53,081 or 31.9 percent from 2004.
- General revenues accounted for \$21.0 million in revenue or 85.8 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,459,777 or 14.2 percent of total governmental revenues of \$24,373,966.
- The District had \$24.2 million in expenses related to governmental activities; only \$3.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$21.0 million were adequate to provide for these programs.
- The general fund, which is the only major fund, had \$20.4 million in revenues and \$19.9 million in expenditures. The general fund's fund balance increased by \$287,789.
- Net assets for enterprise funds decreased to \$147,909 from \$166,458. Total enterprise expenditures were \$862 thousand; \$844 thousand of these expenses were offset by program specific charges for services, grants or contributions.

Using this Annual Report

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

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Tiffin City School District
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Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

Tiffin City School District
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The District as a Whole

Governmental Activities

Table 1 shows net assets for fiscal year 2005, in millions compared to 2004.

Table 1

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and Other Assets	\$ 13.42	\$ 12.01	\$ 0.24	\$ 0.24	\$ 13.66	\$ 12.25
Capital Assets	28.61	28.93	0.02	0.03	28.63	28.96
<i>Total Assets</i>	<u>42.03</u>	<u>40.94</u>	<u>0.26</u>	<u>0.27</u>	<u>42.29</u>	<u>41.21</u>
Liabilities:						
Current Liabilities	11.26	9.60	0.08	0.07	11.34	9.67
Long-term Liabilities	12.36	13.15	0.03	0.03	12.39	13.18
<i>Total Liabilities</i>	<u>23.62</u>	<u>22.75</u>	<u>0.11</u>	<u>0.10</u>	<u>23.73</u>	<u>22.85</u>
Net Assets:						
Invested in Capital Assets	17.15	17.22	0.03	0.03	17.18	17.25
Restricted	2.62	1.45	-	-	2.62	1.45
Unrestricted	(1.36)	(0.48)	0.12	0.14	(1.24)	(0.34)
<i>Total Net Assets</i>	<u>\$ 18.41</u>	<u>\$ 18.19</u>	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 18.56</u>	<u>\$ 18.36</u>

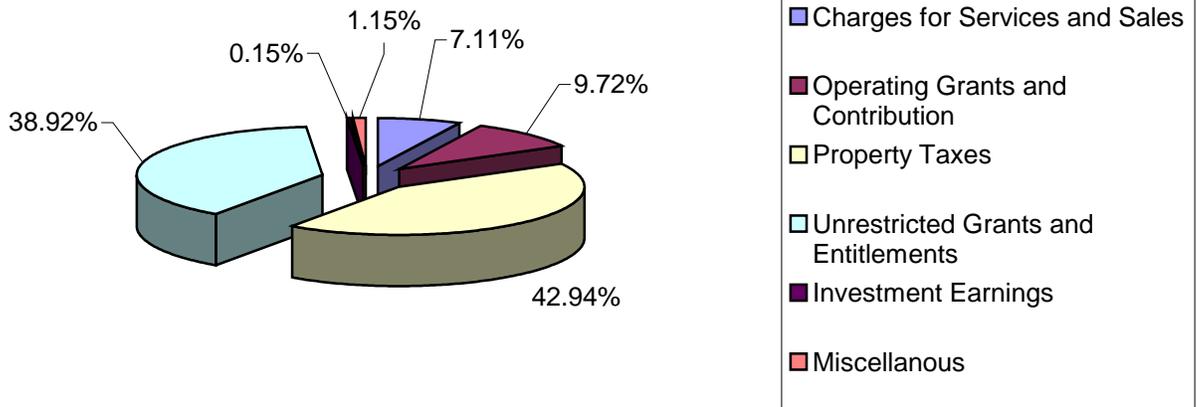
The District's Governmental Activities' net assets increased \$216,514 during fiscal year 2005. Revenue is close to expenses for this fiscal year. That was accomplished by staying within the budget.

What are the District's revenue sources?

The following pie graph provides a summary of the District's Governmental Activities revenue sources for 2005.

Tiffin City School District
Management's Discussion and Analysis
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Unaudited

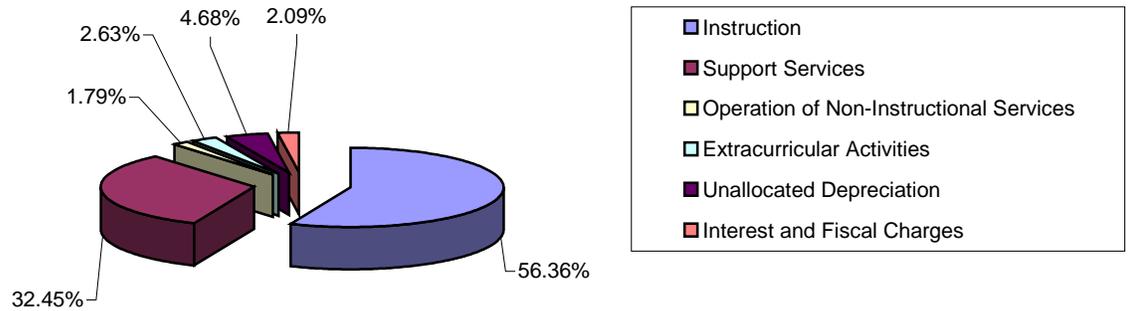
Revenues - Percentage View



Where does the District spend its revenues?

Tiffin City School District
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Expenditures - Percentage View



The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 42.9 percent of revenue for governmental activities for Tiffin City School District in fiscal year 2005, a slight increase from prior years.

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

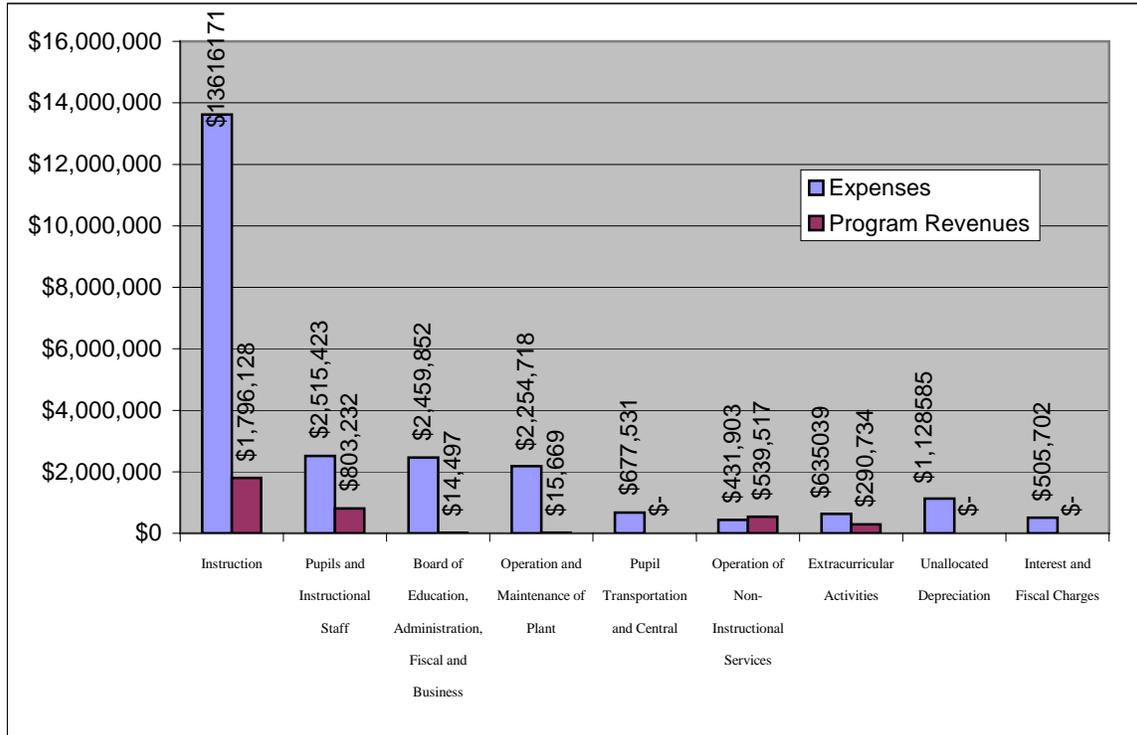
Tiffin City School District
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Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program Revenues:						
Charges for Services	\$ 1,342,132	\$ 1,260,523	\$ 451,518	\$ 445,723	\$ 1,793,650	\$ 1,706,246
Operating Grants	2,073,772	1,751,265	387,558	467,122	2,461,330	2,218,387
Capital Grants	43,873	187,996	-	-	43,873	187,996
General Revenues:						
Property Taxes	10,451,694	8,034,639	-	-	10,451,694	8,034,639
Payment in Lieu of Taxes	319,116	370,887	-	-	319,116	370,887
Grants and Entitlements	9,815,895	10,124,443	-	-	9,815,895	10,124,443
Investment Earnings	34,136	16,130	4,563	1,669	38,699	17,799
Gain on the Sale of Assets	-	84,764	-	-	-	84,764
Transfers in	-	-	-	68,605	-	68,605
Miscellaneous	293,348	465,164	-	-	293,348	465,164
Total Revenues	24,373,966	22,295,811	843,639	983,119	25,217,605	23,278,930
Expenses:						
Instruction	13,616,171	12,845,451	-	-	13,616,171	12,845,451
Support Services	7,840,052	7,716,123	-	-	7,840,052	7,716,123
Operation of Non-instruct. Svcs.	431,903	406,132	-	-	431,903	406,132
Extracurricular Activities	635,039	688,744	-	-	635,039	688,744
Unallocated Depreciation	1,128,585	1,420,608	-	-	1,128,585	1,420,608
Interest and Fiscal Charges	505,702	560,971	-	-	505,702	560,971
Transfers out	-	68,605	-	-	-	68,605
Food Services	-	-	763,492	780,230	763,492	780,230
Uniform School Supplies	-	-	98,696	98,403	98,696	98,403
Total Expenses	24,157,452	23,706,634	862,188	878,633	25,019,640	24,585,267
Changes in Net Assets	216,514	(1,410,823)	(18,549)	104,486	197,965	(1,306,337)
Beginning Net Assets	18,194,030	19,604,853	166,458	61,972	18,360,488	19,666,825
Ending Net Assets	\$ 18,410,544	\$ 18,194,030	\$ 147,909	\$ 166,458	\$ 18,558,453	\$ 18,360,488

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Expenses and Program Revenues – Governmental Activities



The dependence upon general tax revenues for governmental activities is apparent. Over 85.7 percent of expenses are supported through taxes and other general revenues as shown in the above table. The community, as a whole, is by far the primary support for Tiffin City School District students.

Business-Type Activities

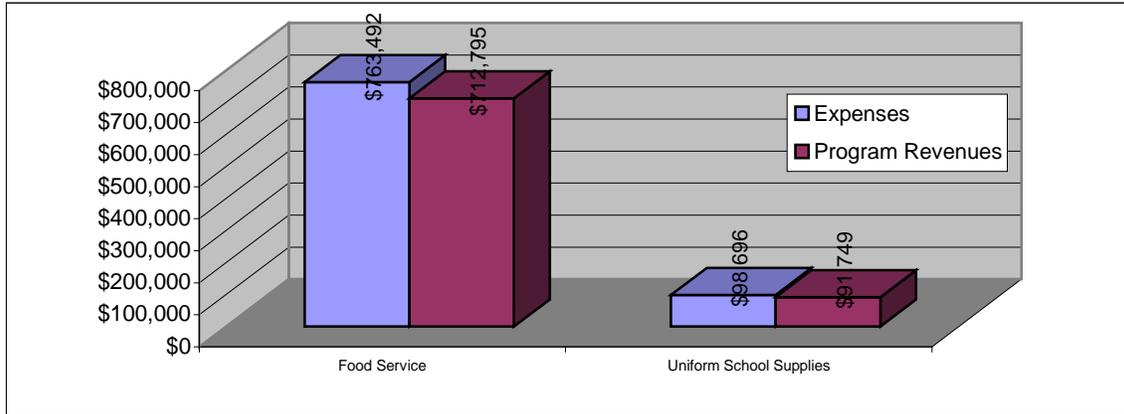
Business-type activities represent the food service and uniform school supplies fund.

Business-type activities decreased the District's net assets by \$18,549. Key elements of this decrease are as follows:

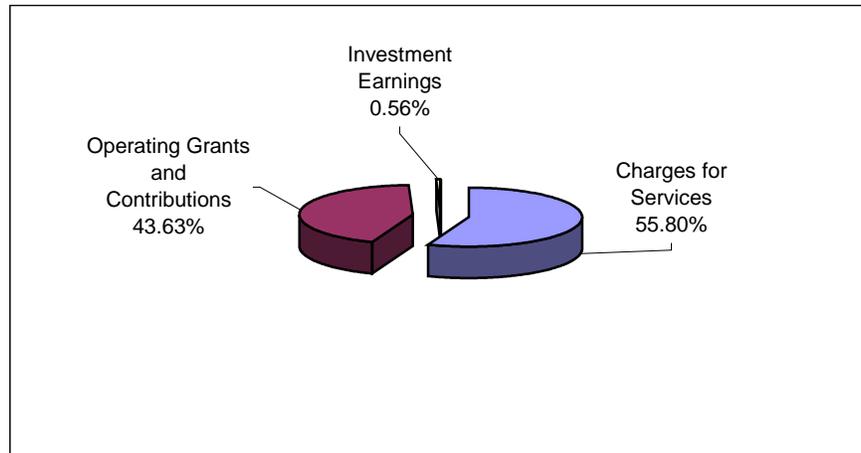
- Operating losses occurred in the food service fund of \$383,457 and in uniform school supplies fund of \$6,947. This year, no transfers were made to fund the difference in expenses.

Tiffin City School District
 Management's Discussion and Analysis
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Expenses and Program Revenues- Business-type Activities



Revenues by Sources – Business-type Activities



The District's Funds

Information about the District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24.0 million and expenditures of \$24.3 million. The net change in fund balance for the year was most significant in the General Fund, where the fund balance increased by \$279 thousand for fiscal year 2005.

Tiffin City School District
Management's Discussion and Analysis
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General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget but the amendments were considered routine. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. The original General Fund budgeted revenue decreased by \$188 thousand over the original budget estimate.

Capital Assets

At the end of fiscal year 2005, the District had \$28.60 million (net) invested in land, buildings, equipment and vehicles, most of which was in the governmental activities.

Table 3 shows the fiscal year 2005 net fixed asset balances for governmental type activities and business-type activities compared to the prior fiscal year.

Table 3

	Capital Assets			
	(Net of Accumulated Depreciation)			
	<u>Governmental Type Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land and Improvements	\$ 5,046,160	\$ 5,069,082	\$ -	\$ -
Buildings	22,132,569	22,371,566	-	-
Equipment and Vehicles	<u>1,425,416</u>	<u>1,488,313</u>	<u>26,411</u>	<u>25,169</u>
Totals	<u>\$ 28,604,145</u>	<u>\$ 28,928,961</u>	<u>\$ 26,411</u>	<u>\$ 25,169</u>

The decrease in capital assets is due to depreciation expense being greater than capital expenditures. The District continued its ongoing commitment to maintaining and improving its capital assets.

Debt

Currently, the District has \$10,724,440 of Notes/Bonds Payable at June 30, 2005. For additional detail, see Note 14.

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Current Financial Related Activities

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

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

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

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

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Tiffin City School District. Thus, both taxes and state revenue are fixed or declining. The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Ohio law requires districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks, as well as money for a budget stabilization. The budget stabilization requirement has been rescinded. The District maintained a \$222,501 budgetary stabilization reserve and a \$505,103 reserve for textbooks.

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

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Contacting the District's Financial Management

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

Tiffin City School District

Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Investments	\$ 3,393,025	\$ 155,826	\$ 3,548,851
Cash and Cash Equivalents:			
With Escrow Agents	114,578	-	114,578
Receivables:			
Taxes	9,697,396	-	9,697,396
Accounts	9,653	-	9,653
Intergovernmental	137,762	34,532	172,294
Prepaid Items	71,466	-	71,466
Inventory Held for Resale	-	45,227	45,227
Land	3,970,234	-	3,970,234
Capital assets, net of depreciation	24,633,911	26,411	24,660,322
	<u>\$ 42,028,025</u>	<u>\$ 261,996</u>	<u>\$ 42,290,021</u>
<u>Liabilities:</u>			
Accounts Payable	128,794	56	128,850
Accrued Wages and Benefits	1,564,438	38,680	1,603,118
Intergovernmental Payable	536,823	18,238	555,061
Deferred Revenue	8,249,142	25,528	8,274,670
Notes Payable	520,000	-	520,000
Accrued Interest Payable	258,041	-	258,041
Long-Term Liabilities			
Due within one year	337,594	-	337,594
Due in more than one year	12,022,649	31,585	12,054,234
	<u>23,617,481</u>	<u>114,087</u>	<u>23,731,568</u>
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	17,147,321	26,411	17,173,732
Restricted for:			
Capital Projects	486,614	-	486,614
Debt Service	396,182	-	396,182
Other Purposes	1,744,775	-	1,744,775
Unrestricted (deficit)	(1,364,348)	121,498	(1,242,850)
	<u>\$ 18,410,544</u>	<u>\$ 147,909</u>	<u>\$ 18,558,453</u>

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Activities
For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
Instruction:							
Regular	\$ 9,442,541	\$ 1,051,398	\$ 267,526	\$ 19,835	\$ (8,103,782)		\$ (8,103,782)
Special	2,712,049	-	457,369	-	(2,254,680)		(2,254,680)
Vocational	202,773	-	-	-	(202,773)		(202,773)
Other	1,258,808	-	-	-	(1,258,808)		(1,258,808)
Support Services:							
Pupils	1,016,814	-	104,690	-	(912,124)		(912,124)
Instructional Staff	1,498,609	-	674,812	23,730	(800,067)		(800,067)
Board of Education	41,248	-	-	-	(41,248)		(41,248)
Administration	1,687,347	-	13,507	-	(1,673,840)		(1,673,840)
Fiscal	729,475	-	682	308	(728,485)		(728,485)
Business	1,782	-	-	-	(1,782)		(1,782)
Operation and Maintenance	2,187,246	-	15,669	-	(2,171,577)		(2,171,577)
Pupil Transportation	676,791	-	-	-	(676,791)		(676,791)
Central	740	-	-	-	(740)		(740)
Operation of Non-Instructional Services	431,903	-	539,517	-	107,614		107,614
Extracurricular Activities	635,039	290,734	-	-	(344,305)		(344,305)
Unallocated Depreciation	1,128,585	-	-	-	(1,128,585)		(1,128,585)
Interest and Fiscal Charges	505,702	-	-	-	(505,702)		(505,702)
Total governmental activities	<u>24,157,452</u>	<u>1,342,132</u>	<u>2,073,772</u>	<u>43,873</u>	<u>(20,697,675)</u>		<u>(20,697,675)</u>
Business-Type activities:							
Food Service	763,492	359,769	387,558	-	-	(16,165)	(16,165)
Uniform Supplies	98,696	91,749	-	-	-	(6,947)	(6,947)
Total Business-Type activities	<u>862,188</u>	<u>451,518</u>	<u>387,558</u>	<u>-</u>	<u>-</u>	<u>(23,112)</u>	<u>(23,112)</u>
Total primary government	<u>\$ 25,019,640</u>	<u>\$ 1,793,650</u>	<u>\$ 2,461,330</u>	<u>\$ 43,873</u>	<u>(20,697,675)</u>	<u>(23,112)</u>	<u>(20,720,787)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					9,540,526	-	9,540,526
Property taxes, levied for debt service					699,818	-	699,818
Property taxes, levied for capital projects					211,350	-	211,350
Payment in Lieu of Taxes					319,116	-	319,116
Grants and Entitlements not Restricted to Specific Purposes					9,815,895	-	9,815,895
Unrestricted investment earnings					34,136	4,563	38,699
Miscellaneous					293,348	-	293,348
Total general revenues					<u>20,914,189</u>	<u>4,563</u>	<u>20,918,752</u>
Change in net assets					216,514	(18,549)	197,965
Net assets - July 1, 2004					<u>18,194,030</u>	<u>166,458</u>	<u>18,360,488</u>
Net assets - June 30, 2005					<u>\$ 18,410,544</u>	<u>\$ 147,909</u>	<u>\$ 18,558,453</u>

See accompanying notes to the basic financial statements.

Tiffin City School District

Balance Sheet
Governmental Funds
June 30, 2005

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

	General	Other Governmental Funds	Total Governmental Funds	Total Governmental Fund Balances	
					\$ 1,678,631
				<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Assets:					
Equity in Pooled Cash and Investments	\$ 582,928	\$ 2,082,493	\$ 2,665,421	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,604,145
Cash and Cash Equivalents:					
With Escrow Agents	114,578	-	114,578	Other long-term assets are not available to pay current-period expenditures and therefore are deferred in the funds.	
Receivables:					
Taxes	8,703,709	993,687	9,697,396	Property Taxes	\$ (608,290)
Accounts	7,515	2,138	9,653	Intergovernmental	(137,762)
Intergovernmental	-	137,762	137,762		746,052
Interfund Receivable	98,808	50,838	149,646		
Prepaid Items	71,466	-	71,466	Some liabilities are not due and payable in the current and therefore are not reported in the funds:	
Restricted Assets:					
Equity in Pooled Cash and Investments	727,604	-	727,604	Retirement Incentive Payable	(5,000)
				Compensated Absences Payable	(1,418,419)
				Capital Lease Payable	(732,384)
				G. O. Bonds and Notes Payable	(10,204,440)
				Accrued Interest Payable	(258,041)
					(12,618,284)
Total Assets	\$ 10,306,608	\$ 3,266,918	\$ 13,573,526	Net Assets of Governmental Activities	\$ 18,410,544
Liabilities:					
Accounts Payable	126,932	1,862	128,794		
Accrued Wages	1,422,908	141,530	1,564,438		
Interfund Payable	-	149,646	149,646		
Intergovernmental Payable	488,933	47,890	536,823		
Deferred Revenue:					
Property Taxes	7,949,816	907,616	8,857,432		
Intergovernmental Grants	-	137,762	137,762		
Notes Payable	-	520,000	520,000		
Total Liabilities	9,988,589	1,906,306	11,894,895		
Fund Balances:					
Reserved for Encumbrances	44,012	133,195	177,207		
Reserved for Taxes Unappropriated	753,893	86,071	839,964		
Reserved for Textbooks	505,103	-	505,103		
Reserved for Budget Stabilization	222,501	-	222,501		
Unreserved, Reported in:					
General Fund (Deficit)	(1,207,490)	-	(1,207,490)		
Special Revenue Funds	-	359,506	359,506		
Debt Service Fund	-	245,684	245,684		
Capital Projects Funds	-	536,156	536,156		
Total Fund Balances	318,019	1,360,612	1,678,631		
Total Liabilities and Fund Balances	\$ 10,306,608	\$ 3,266,918	\$ 13,573,526		

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

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

	General	Other Governmental Funds	Total Governmental Funds		
				Net Change in Fund Balances-Total Governmental Funds	\$ 220,123
				Amounts reported in governmental activities in the statement of activities are different because:	
				Governmental funds report capital outlays as expenditures. However, in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays was over (under) depreciation in the current period.	
Revenues:				Capital Outlays	1,011,531
Taxes	\$ 9,070,683	\$ 1,033,947	\$ 10,104,630	Depreciation	<u>(1,336,347)</u>
Intergovernmental	9,815,895	2,120,342	11,936,237		(324,816)
Investment Income	29,869	4,267	34,136		
Tuition	1,048,294	-	1,048,294		
Transportation Fees	49,993	-	49,993		
Extracurricular Activities	-	290,734	290,734		
Classroom Materials and Fees	3,104	-	3,104		
Payment in Lieu of Taxes	319,116	-	319,116	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Miscellaneous	<u>47,539</u>	<u>137,130</u>	<u>184,669</u>		
Total Revenue	<u>20,384,493</u>	<u>3,586,420</u>	<u>23,970,913</u>		
				Property Taxes	347,065
				Grants	<u>51,773</u>
					398,838
Expenditures:				Repayment of debt and capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the state- ment of net assets.	250,435
Current:					
Instruction:				In the statement of activities, interest is accrued on on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	643
Regular	8,921,333	323,545	9,244,878	Some expenses reported in the statment 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.	
Special	2,170,621	527,585	2,698,206		
Vocational	202,074	-	202,074	Retirement Incentive	15,000
Other	1,258,808	-	1,258,808	Compensated Absences	<u>(343,709)</u>
Support Services:					(328,709)
Pupils	792,121	206,528	998,649	Change in Net Assets of Governmental Activities	<u>\$ 216,514</u>
Instructional Staff	995,327	585,581	1,580,908		
Board of Education	41,248	-	41,248		
Administration	1,658,901	15,559	1,674,460		
Fiscal	695,482	24,724	720,206		
Business	715	-	715		
Operation and Maintenance	2,020,556	93,634	2,114,190		
Pupil Transportation	644,254	-	644,254		
Central	740	-	740		
Operation of Non-Instructional	-	540,117	540,117		
Extracurricular Activities	350,751	281,507	632,258		
Capital Outlay	93,271	553,243	646,514		
Debt Service:					
Principal Retirement	47,021	723,414	770,435		
Interest and Fiscal Charges	<u>39,798</u>	<u>466,547</u>	<u>506,345</u>		
Total Expenditures	<u>19,933,021</u>	<u>4,341,984</u>	<u>24,275,005</u>		
Excess of Revenues Over (Under) Expenditures	451,472	(755,564)	(304,092)		
Other Financing Sources (Uses):					
Proceeds of Notes	-	520,000	520,000		
Other Financing Sources	3,856	359	4,215		
Transfers In	-	197,006	197,006		
Transfers Out	<u>(176,539)</u>	<u>(20,467)</u>	<u>(197,006)</u>		
Total Other Sources (Uses)	<u>(172,683)</u>	<u>696,898</u>	<u>524,215</u>		
Net Change in Fund Balance	278,789	(58,666)	220,123		
Fund Balances (Deficit) at Beginning of Year Restated	<u>39,230</u>	<u>1,419,278</u>	<u>1,458,508</u>		
Fund Balances (Deficits) End of Year	<u>\$ 318,019</u>	<u>\$ 1,360,612</u>	<u>\$ 1,678,631</u>		

See accompanying notes to the basic financial statements.

Tiffin City School District

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund

For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 9,075,000	\$ 9,037,118	\$ 9,037,118	\$ -
Intergovernmental	10,016,015	9,815,895	9,815,895	-
Investment Income	30,000	28,773	28,773	-
Tuition	1,050,000	1,048,294	1,048,294	-
Transportation Fees	50,000	50,394	50,394	-
Classroom Materials and Fees	-	3,104	3,104	-
Payment in Lieu of Taxes	370,000	378,593	378,593	-
Miscellaneous	-	40,863	40,863	-
Total Revenues	20,591,015	20,403,034	20,403,034	-
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,097,392	9,074,000	9,082,206	(8,206)
Special	2,172,749	2,137,000	2,171,880	(34,880)
Vocational	213,440	213,000	212,840	160
Other	1,235,280	1,231,000	1,232,332	(1,332)
Support Services:				
Pupils	802,809	803,000	802,386	614
Instructional Staff	975,231	948,000	975,149	(27,149)
Board of Education	70,749	71,000	70,749	251
Administration	1,699,414	1,689,000	1,690,898	(1,898)
Fiscal	670,994	666,000	669,489	(3,489)
Business	-	1,000	715	285
Operation and Maintenance of Plant	2,000,534	1,999,000	1,999,544	(544)
Pupil Transportation	648,903	643,000	642,672	328
Central	-	1,000	740	260
Extracurricular Activities	362,263	374,000	361,988	12,012
Capital Outlay	92,991	95,000	93,271	1,729
Total Expenditures	20,042,749	19,945,000	20,006,859	(61,859)
Excess of Revenues Over Expenditures	548,266	458,034	396,175	(61,859)
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	-	3,856	3,856	-
Refund of Prior Year Expenditures	-	6,675	6,675	-
Sale and Loss of Assets	-	(4,000)	-	4,000
Transfers Out	(176,539)	(177,000)	(176,539)	461
Advances In	-	200,039	200,039	-
Total Other Financing Sources (Uses)	(176,539)	29,570	34,031	4,461
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	371,727	487,604	430,206	(57,398)
Fund Balances at Beginning of Year	799,326	799,326	799,326	-
Fund Balances (Deficit) at End of Year	\$ 1,171,053	\$ 1,286,930	\$ 1,229,532	\$ (57,398)

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Business Type Activities <u>Enterprise Funds</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 155,826
Intergovernmental Receivable	34,532
Inventory Held for Resale	<u>45,227</u>
Total Current Assets	235,585
Capital Assets, (Net)	<u>26,411</u>
Total Assets	<u><u>\$ 261,996</u></u>
<u>Liabilities:</u>	
Accounts Payable	\$ 56
Accrued Wages	38,680
Intergovernmental Payable	18,238
Deferred Revenue	<u>25,528</u>
Total Current Liabilities	82,502
Long-Term Liabilities:	
Compensated Absences Payable	<u>31,585</u>
Total Long-Term Liabilities	<u>31,585</u>
Total Liabilities	114,087
<u>Net Assets:</u>	
Invested in capital assets, net of related debt	26,411
Unrestricted	<u>121,498</u>
Total Net Assets	<u><u>\$ 147,909</u></u>

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds

For the Fiscal Year Ended June 30, 2005

	<u>Business-Type Activities Enterprise Funds</u>
<u>Operating Revenues:</u>	
Food Services	\$ 359,769
Classroom Fees	<u>91,749</u>
Total Operating Revenues	<u>451,518</u>
<u>Operating Expenses:</u>	
Salaries	269,932
Fringe Benefits	124,173
Purchased Services	6,854
Materials and Supplies	166,547
Cost of Sales	283,683
Depreciation	<u>10,999</u>
Total Operating Expenses	<u>862,188</u>
Operating Income (Loss)	<u>(410,670)</u>
<u>Non-Operating Revenues</u>	
Federal Donated Commodities	98,164
Operating Grants	289,394
Interest Income	<u>4,563</u>
Total Non-Operating Revenues	<u>392,121</u>
Change in Net Assets	(18,549)
Total Net Assets at Beginning of Year	<u>166,458</u>
Total Net Assets at End of Year	<u><u>\$ 147,909</u></u>

See accompanying notes to the basic financial statements.

Tiffin City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	<u>Business-Type Activities Enterprise Funds</u>
Increase (Decrease) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 451,594
Cash Payments to Suppliers for Goods and Services	(320,873)
Cash Payments to Employees for Services	(272,406)
Cash Payments for Employee Benefits	<u>(139,927)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(281,612)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	<u>280,026</u>
Net Cash Provided by Noncapital Financing Activities	<u>280,026</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(12,241)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(12,241)</u>
<u>Cash flows from Investing Activities:</u>	
Interest on Investments	<u>4,563</u>
Net Cash Provided by Investing Activities	<u>4,563</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,264)
Cash and Cash Equivalents Beginning of Year	<u>165,090</u>
Cash and Cash Equivalents End of Year	<u>\$ 155,826</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</u>	
Operating Income (Loss)	\$ (410,670)
Adjustments:	
Net Cash from Operating Activities:	
Depreciation	10,999
Donated Commodities Revenue	98,164
(Increase) Decrease in Assets:	
Accounts Receivable	76
Inventory Held for Resale	12,463
Accounts Payable	56
Accrued Wages	(2,510)
Compensated Absences Payable	36
Intergovernmental Payable	(15,754)
Deferred Revenue	<u>25,528</u>
Total Adjustments	<u>129,058</u>
Net Cash Provided by Operating Activities	<u>\$ (281,612)</u>

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 18,854</u>	<u>\$ 73,783</u>
Total Assets	<u>18,854</u>	<u>73,783</u>
<u>Liabilities</u>		
Accounts Payable	-	45
Due to Students	-	<u>73,738</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 73,783</u>
<u>Net Assets:</u>		
Restricted for: Reserved for Scholarships	<u>\$ 18,854</u>	
Total Net Assets	<u>\$ 18,854</u>	

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Fiscal Year Ended June 30, 2005

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<u>Additions:</u>	
Interest Income	\$ 756
Total Additions	756
<u>Deductions:</u>	
Scholarships	200
Total Deductions	200
Change in Net Assets	556
Net Assets Beginning of Year	18,298
Net Assets End of Year	<u>\$ 18,854</u>

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Tiffin City School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) as of October 1, 2004 was 2,941. The District employed 213 certificated employees and 131 non-certificated employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

FUND FINANCIAL STATEMENTS

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust, which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

C. Measurement Focus

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, that is 30 days after fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used of the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2005, investments were limited to a guaranteed investment contract, Federal Agency Securities, repurchase agreements, and STAR Ohio. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the time of purchase is reported at cost or amortized cost.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$29,869, which includes \$18,290 assigned from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and textbooks. The textbook reserve is required by State statute. At fiscal year end, restricted assets totaled \$727,604.

G. Inventories

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

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

H. Bond Discounts, Premiums, and Issuance Costs

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

I. Capital Assets

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

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

**TIFFIN CITY SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

J. Interfund Balances

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

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees age fifty (50).

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

**TIFFIN CITY SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

recognized as a liability in the fund financial statements until due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Fund Balance Reserves

The District reserves those portions of fund balance 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 balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks, property taxes, and budget stabilization in the governmental funds.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenue and expenditures.

O. Operating Revenues and 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.

P. Interfund Transactions

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

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

Q. Estimates

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual presented for 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 GAAP basis are that:

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

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

	General
Net Change in Fund Balance	
Budget Basis	\$ 430,206
Adjustments:	
Revenue Accruals:	
Accrued FY2004, Received in Cash FY2005	(786,276)
Accrued FY2005, Not Yet Received in Cash	827,613
Expenditure Accruals:	
Accrued FY2004, Paid in Cash FY2005	1,646,069
Accrued FY2005, Not Yet Paid in Cash	(1,713,108)
Encumbrances	80,999
Other Financial Sources/Uses:	
Refund	(6,675)
Advances (Net)	(200,039)
GAAP Basis	\$ 278,789

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits

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

**TIFFIN CITY SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

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

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

Interim Deposits: those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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

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

Deposits with Financial Institutions

At fiscal year end June 30, 2005, the carrying amount of the District's deposits was \$(114,395) and the bank balance was \$532,184. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, \$110,825 was covered by the Federal Depository Insurance Corporation and \$421,359 was protected by a collateral pool of eligible securities deposited with a qualified trustee and is exposed to custodial credit risk.

**TIFFIN CITY SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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.

The District had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

Investments

Investments of the District as of June 30, 2005 were as follows:

<u>Investment Type</u>	<u>Investment Maturity Fair Value 6 Months or less</u>
North Central Insurance Trust	\$ 114,578
Securities Held	1,383
Repurchase Agreements	<u>3,753,000</u>
Total	<u>\$3,868,961</u>

Interest Rate Risk –The District has no policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The repurchase agreements are specifically pledged by a single security. The District places no limit on the amount that may be invested in any one issuer. None of the above investments have been rated.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

Public utility real taxes for 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The amount available as an advance at June 30, 2005, was \$753,893 in the General Fund, \$56,820 in the Debt Service Bond Retirement Fund, \$17,133 in the Permanent Improvement Fund and \$12,118 in the Middle School Maintenance Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2005 First-Half Collections		2004 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Public Utility	\$ 278,103,050	84.79%	\$ 274,713,290	83.78%
Tangible Personal Property	55,401,203	15.21%	53,191,565	16.22%
Total Assessed Value	\$ 333,504,253	100.00%	\$ 327,904,855	100.00%
Tax rate per \$1,000 of assessed valuation	\$49.15		\$49.15	

NOTE 6 - INTERFUND RECEIVABLE/INTERFUND PAYABLE

Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

Fund	Receivable	Payable
General	\$ 98,808	\$ -
Special Revenue:		
Columbian Blue and Gold		13,385
St. Joseph Auxilliary		718
Alternative School Grant		7,945
IDEA B FY05		31,690
Title I		56,895
Title VI-B		3,731
Federal Emergency Repair		4,260
Class Size Reduction Grant		31,022
Capital Projects:		
Permanent Improvement	50,838	-
Totals	\$ 149,646	\$ 149,646

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	Amount
<u>Governmental Activities:</u>	
Taxes:	
General Fund	\$ 8,703,709
Other Governmental Funds	993,687
Total Taxes Receivable	9,697,396
Accounts:	
General Fund	7,515
Other Governmental Funds	2,138
Total Accounts Receivable	9,653
Intergovernmental:	
Other Governmental Funds	137,762
Total Intergovernmental Receivables	137,762
Total Governmental Activities	\$ 9,844,811
 <u>Business-Type Activities:</u>	
Intergovernmental:	
Food Service-Nonmajor fund	\$ 34,532
Total Business-Type Activities	\$ 34,532

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/2004	Additions	Deductions	Balance 6/30/2005
<u>Governmental Activities</u>				
Land	\$ 3,970,234	\$ -	\$ -	\$ 3,970,234
Land Improvements	1,851,148	107,666	-	1,958,814
Buildings and Improvements	24,640,168	386,674	-	25,026,842
Furniture and Equipment	5,632,002	468,673	-	6,100,675
School Buses and Vehicles	1,459,225	48,518	-	1,507,743
Totals at Historical Cost	<u>37,552,777</u>	<u>1,011,531</u>	<u>-</u>	<u>38,564,308</u>
Less Accumulated Depreciation:				
Land Improvements	752,300	130,588	-	882,888
Buildings and Improvements	2,268,602	625,671	-	2,894,273
Furniture and Equipment	4,270,221	429,314	-	4,699,535
Vehicles	1,332,693	150,774	-	1,483,467
Total Accumulated Depreciation	<u>8,623,816</u>	<u>1,336,347</u>	<u>-</u>	<u>9,960,163</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,928,961</u>	<u>\$ (324,816)</u>	<u>\$ -</u>	<u>\$ 28,604,145</u>
<u>Business-Type Activities</u>				
Furniture and Equipment	371,271	12,241	-	383,512
Less Accumulated Depreciation	<u>346,102</u>	<u>10,999</u>	<u>-</u>	<u>357,101</u>
Business-Type Activities Capital Assets, Net	<u>\$ 25,169</u>	<u>\$ 1,242</u>	<u>\$ -</u>	<u>\$ 26,411</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 997
Support Services:	
Pupil	866
Instructional Staff	61,277
Administration	1,198
Fiscal	89
Operation and Maintenance of Plant	55,297
Pupil Transportation	87,648
Unallocated Depreciation	<u>1,128,975</u>
Total Depreciation Expense	<u>\$ 1,336,347</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

NOTE 9 - RISK MANAGEMENT

A. Employees Health Care:

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

B. Comprehensive:

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

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

C. OSBA Worker's Compensation Group Rating Program:

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The employer rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$346,220, \$438,252, and \$476,735, respectively; 52.6 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$164,126.

B. State Teachers Retirement Systems

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’ public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants. The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2005, 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. The District's required contribution for pension obligations for the fiscal years ended June 30, 2005, 2004 and 2003 were \$1,509,965, \$1,441,032 and \$1,505,355, respectively; 85.1 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$224,714.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2005 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2005 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS OhioWeb site at www.strsoh.org.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43 percent. 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 2005, the minimum pay was established at \$27,400. 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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health care costs for the fiscal year ending June 30, 2005 (the latest information available), were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 58,123.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 3.43 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the School District, the amount to fund health care benefits, including surcharge, equaled \$169,362 for the fiscal year ended June 30, 2005.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$107,151 for the fiscal year ended June 30, 2005. The balance in the Health Care Reserve Fund was \$3.3 billion.

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

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 fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to two hundred twenty-five (225) days.

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

days at the time of retirement based on twenty-five percent (25%) of accumulative sick leave to a maximum of 66.25 days.

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

At June 30, 2005 the amount of unpaid compensated absences, in all funds except for the Proprietary Fund, was \$1,418,419. The liability for compensated absences in the Proprietary Funds at June 30, 2005 was \$31,585.

NOTE 13 - SET ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2005:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/04	\$ 176,452	\$ -	\$ 222,501	\$ 398,953
Required Set-Aside	414,631	414,631	-	829,262
Qualifying Expenditures	(85,980)	(414,631)	-	(500,611)
Balance 6/30/05	<u>\$ 505,103</u>	<u>\$ -</u>	<u>\$ 222,501</u>	<u>\$ 727,604</u>
Amount Carried Forward to Fiscal Year 2006	<u>\$ 505,103</u>	<u>\$ -</u>	<u>\$ 222,501</u>	
Total Restricted Assets				<u>\$ 727,604</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

NOTE 14 - LONG-TERM LIABILITIES

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

	Principal Outstanding 06/30/04	Additions	Reductions	Principal Outstanding 06/30/05	Amounts Due In One Year
<u>Governmental Activities</u>					
Site Acquisition Notes, Series 2001 B, 4.50% Matures 5/7/2005	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000
Citicorp-Energy Conservation Note, 5.25%; Matures 7/15/2014	932,854	-	68,414	864,440	72,094
School Improvement General Obligation Bonds 2.90% to Matures 12/01/2023	9,475,000	-	135,000	9,340,000	150,000
Compensated Absences	1,074,710	527,168	183,459	1,418,419	60,950
Severance Pay Bonus	20,000	-	15,000	5,000	5,000
Capital Lease Payable	779,405	-	47,021	732,384	49,550
Total Governmental Activities Long-Term Liabilities	<u>\$ 12,801,969</u>	<u>\$ 1,047,168</u>	<u>\$ 968,894</u>	<u>\$ 12,880,243</u>	<u>\$ 857,594</u>
<u>Business-Type Activities</u>					
Compensated Absences Payable	<u>\$ 31,549</u>	<u>\$ 31,585</u>	<u>\$ 31,549</u>	<u>\$ 31,585</u>	<u>\$ -</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capita leases will be paid from the General Fund. Tax anticipation notes are reported as a liability on the fund financial statements in the fund which received the proceeds.

The School District's overall debt margin was \$19,290,943 at June 30, 2005.

The annual requirements to amortize all debt outstanding as of June 30, 2005, including interest are as follows:

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

Fiscal Year Ending June 30	Energy Conservation Note	School Improvement Bonds
2006	116,544	624,255
2007	116,585	643,630
2008	116,630	816,805
2009	116,676	817,427
2010	116,724	817,073
2011-2015	525,954	4,072,045
2016-2020	-	4,074,359
2021-2024	-	3,255,771
Total	1,109,113	15,121,365
Less: Amount Representing Interest	244,673	5,781,365
Totals	<u>\$ 864,440</u>	<u>\$ 9,340,000</u>

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of reproduction equipment and computers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been classified as debt service expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds. A liability was recorded in the Government Wide financial statements for \$732,384. Principal payments in the fiscal year 2005 totaled \$44,621. This amount is reflected as "Debt Service Principal" in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2005:

Year Ending June 30	Capital Lease Liability
2006	\$ 86,819
2007	86,819
2008	86,819
2009	86,819
2010	86,819
2011-15	434,095
2016-17	101,288
Total Minimum Lease Payments	969,478
Less: Amount Representing Interest	(237,094)
Present Value of Future Minimum Lease Payment	<u>\$ 732,384</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

NOTE 16 - OPERATING LEASES AGREEMENTS

Tiffin City School District has entered into operating lease agreements for modular classrooms, copiers, land, and vehicles. These agreements are, in substance, rental agreements (operating leases), and are classified in the appropriate functional expense line items in the financial statements. During fiscal year 2005, \$140,950 was paid in operating expenses.

The following summarizes future minimum lease payments under the operating leases at June 30, 2005:

Fiscal Year Ending	<u>June 30</u>	<u>Payments</u>
	2006	\$96,911

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2005.

B. Litigation

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

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

NOTE 18 – RESTATEMENT OF FUND BALANCES/ CHANGE IN ACCOUNTING PRINCIPLE

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Implementation of GASB 40 has no impact on the District’s financial position or results of operations.

The District has implemented GASB Technical Bulletin No. 2004-02, *“Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”* This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of this Bulletin had the following effect on fund balance of the General Fund as previously reported at June 30, 2004:

	General Fund	Non-Major Funds	Total
Fund Balance, June 30, 2004	\$ 351,862	\$ 1,452,632	\$ 1,804,494
GASB Technical Bulletin No. 2004-02	(312,632)	(33,354)	(345,986)
Restated Fund Balance, June 30, 2004	\$ 39,230	\$ 1,419,278	\$ 1,458,508

Tiffin City School District
Schedule of Federal Awards Expenditure
For the Year Ending June 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass through Ohio Department of Development:			
Nutrition Cluster:			
Food Distribution	10.550	\$ 98,164	\$ 98,164
National School Lunch Program-FY04	10.555	60,677	60,677
National School Lunch Program-FY05	10.555	192,226	192,226
Breakfast Program-FY04	10.553	1,999	1,999
Breakfast Program-FY05	10.553	<u>14,466</u>	<u>14,466</u>
Total Nutrition Cluster		<u>367,532</u>	<u>367,532</u>
Total U.S. Department of Agriculture		367,532	367,532
<u>U.S. Department of Education</u>			
Pass through Ohio Department of Education:			
Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children			
Title I-FY04	84.010	6,445	78,780
Title I-FY05	84.010	418,225	418,225
Title I Delinquent	84.010	<u>11,529</u>	<u>14,080</u>
Total Title I		436,199	511,085
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Title VI - B-FY04	84.027	178,445	178,586
Title VI - B-FY05	84.027	<u>602,929</u>	<u>576,754</u>
Total Title VI - B		781,374	755,340
Vocational Education			
Basic Education for States	84.048	<u>10,000</u>	<u>10,000</u>
Total Vocational Education		10,000	10,000
Drug - Free School Grant			
Drug - Free School Grant - FY04	84.186	13,656	13,656
Drug - Free School Grant - FY05	84.186	<u>14,824</u>	<u>14,824</u>
Total Drug - Free School Grant		28,480	28,480
Innovative Education Program Strategies			
Innovative Education Program Strategies-FY04	84.298	57,731	57,874
Innovative Education Program Strategies-FY05	84.298	<u>123,735</u>	<u>123,735</u>
Total Innovative Education Program Strategies		181,466	181,609
Technology Literacy Challenge Grant			
Title II-D-Technology Literacy Challenge-FY04	84.318	10,578	10,762
Title II-D-Technology Literacy Challenge-FY05	84.318	1,092	993
Disadvantaged Pupils	84.318	<u>8,750</u>	<u>8,750</u>
Total Technology Literacy Challenge Grant		20,420	20,505
Title II-A			
Class Size Reduction	84.367	57,731	57,874
Improving Teacher Quality	84.367	<u>123,735</u>	<u>123,735</u>
Total Title II-A		<u>181,466</u>	<u>181,609</u>
Total U.S. Department of Education		<u>1,639,405</u>	<u>1,688,628</u>
Total Federal Expenditures		<u>\$ 2,006,937</u>	<u>\$ 2,056,160</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

TIFFIN CITY SCHOOL DISTRICT
Seneca County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Tiffin City School District
Seneca County
244 South Monroe Street
Tiffin, Ohio 44883

To the Board of Education:

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 28, 2006, wherein we noted the District implemented GASB Technical Bulletin No. 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-TCSD-01.

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

Charles E. Harris & Associates, Inc.

August 28, 2006

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

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

Tiffin City School District
Seneca County
244 South Monroe Street
Tiffin, Ohio 44883

To the Board of Education:

Compliance

We have audited the compliance of the Tiffin City School District, Seneca County with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

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

Charles E. Harris & Associates, Inc.
August 28, 2006

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY
June 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education Cluster: Title VI-B CFDA 84.027 Nutrition Cluster: Food Distribution CFDA 10.550 National School Lunch Program CFDA 10.555 Breakfast Program CFDA 10.553
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

Tiffin City School District
 Seneca County
 June 30, 2005

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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2005-TCSD-01

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated unless it has been appropriated as provided in such chapter.

During the year ended June 30, 2005, the following funds' expenditures plus encumbrances exceeded total appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variances</u>
General Fund	\$ 20,126,000	\$ 20,183,398	\$ (57,398)
Ohio Reads Fund	71,457	77,020	(5,563)
Title V Fund	26,030	29,858	(3,828)
Drug Free Schools Fund	22,256	27,707	(5,451)
Title VI-R	181,752	184,260	(2,508)
Miscellaneous Federal Grants	16,729	20,505	(3,776)
Bond Retirement Fund	696,531	1,206,364	(509,833)

Management agrees and intends to better monitor the budgetary process.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY
For the Year Ended June 30, 2005**

SCHEDULE OF PRIOR AUDIT FINDINGS

The audit report for the year ending June 30, 2004, reported no material citations or recommendations.



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
FEBRUARY 15, 2007**