

TIFFIN CITY SCHOOL DISTRICT

Audit Report

For the Year Ended June 30, 2002

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



**Auditor of State
Betty Montgomery**

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Board of Education
Tiffin City School District
Tiffin, Ohio

We have reviewed the Independent Auditor's Report of the Tiffin City School District, Seneca County, prepared by Charles E. Harris & Associates, for the audit period July 1, 2001 through June 30, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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TIFFIN CITY SCHOOL DISTRICT
AUDIT REPORT

For the Year Ended June 30, 2002

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

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Tiffin City School District
Tiffin, Ohio

We have audited the accompanying general purpose financial statements of the Tiffin City School District (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002 and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Tiffin City School District taken as a whole. 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 general purpose financial statements. Such information as been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
November 25, 2002

Tiffin City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits:										

Assets:										

Equity in Pooled Cash and Cash Equivalents:										
Unrestricted	\$1,658,556	\$464,300	\$254,628	\$11,799,311	\$119,067	0	\$64,295	0	0	\$14,360,157
Cash and Cash Equivalents:										
With Fiscal Agents	0	0	0	2,187	0	\$209,156	0	0	0	211,343
Receivables:										
Taxes	8,427,844	0	816,685	218,739	0	0	0	0	0	9,463,268
Accounts	25,795	0	0	0	0	0	0	0	0	25,795
Intergovernmental	0	8,004	0	0	0	0	0	0	0	8,004
Accrued Interest	18,225	0	0	0	0	0	0	0	0	18,225
Interfund	22,037	0	0	0	0	0	0	0	0	22,037
Prepaid Items	55,810	0	0	1,334	0	0	0	0	0	57,144
Inventory Held for Resale	0	0	0	0	31,284	0	0	0	0	31,284
Equity in Pooled Cash - Restricted	222,501	0	0	0	0	0	0	0	0	222,501
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	17,494	0	0	\$24,303,292	0	24,320,786
Other Debits:										

Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	\$278,058	278,058
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	0	12,629,476	12,629,476
Total Assets and Other Debits	10,430,768	472,304	1,071,313	12,021,571	167,845	209,156	64,295	24,303,292	12,907,534	61,648,078
Liabilities, Fund Equity and Other Credits:										

Liabilities:										

Accounts Payable	43,677	22,729	0	23,818	0	0	1,091	0	0	91,315
Accrued Wages	1,518,096	124,970	0	0	34,101	0	0	0	25,000	1,702,167
Compensated Absences Payable	23,049	0	0	0	25,510	0	0	0	805,591	854,150
Interfund Payable	0	22,037	0	0	0	0	0	0	0	22,037
Intergovernmental Payable	173,870	10,948	0	0	35,667	0	0	0	389,563	610,048
Retainer Payable	0	0	0	2,187	0	0	0	0	0	2,187
Deferred Revenue	7,514,068	0	793,255	218,739	25,533	0	0	0	0	8,551,595
Due to Students	0	0	0	0	0	0	44,706	0	0	44,706
Notes Payable	0	0	0	750,000	0	0	0	0	1,059,385	1,809,385
Capital Lease Payable	0	0	0	0	0	0	0	0	866,369	866,369
General Obligation Bond Payable	0	0	0	0	0	0	0	0	9,761,626	9,761,626
Total Liabilities	9,272,760	180,684	793,255	994,744	120,811	0	45,797	0	12,907,534	24,315,585
Fund Equity and Other Credits:										

Investment in General Fixed Assets	0	0	0	0	0	0	0	24,303,292	0	24,303,292
Contributed Capital	0	0	0	0	20,057	0	0	0	0	20,057
Retained Earnings:										
Reserved for Catastrophic Claims	0	0	0	0	0	209,156	0	0	0	209,156
Unreserved	0	0	0	0	26,977	0	0	0	0	26,977
Fund Balance:										
Reserved for Encumbrances	142,573	140,178	0	138,380	0	0	0	0	0	421,131
Reserved for Prepaid Items	55,810	0	0	1,334	0	0	0	0	0	57,144
Reserved for Budget Stabilization	222,501	0	0	0	0	0	0	0	0	222,501
Reserved for Taxes Unavailable for Appr	913,777	0	23,430	0	0	0	0	0	0	937,207
Reserved for Scholarships	0	0	0	0	0	0	11,000	0	0	11,000
Reserved for Debt Service	0	0	254,628	0	0	0	0	0	0	254,628
Unreserved:										
Undesignated	(176,653)	151,442	0	10,887,113	0	0	7,498	0	0	10,869,400
Total Fund Equity and Other Credits	1,158,008	291,620	278,058	11,026,827	47,034	209,156	18,498	24,303,292	0	37,332,493
Total Liabilities, Fund Equity and Other Credits	10,430,768	472,304	1,071,313	12,021,571	167,845	209,156	64,295	24,303,292	12,907,534	61,648,078

See accompanying notes to the general purpose financial statements.

Tiffin City School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts	
Revenues:						

Taxes	\$9,444,264	0	\$735,288	\$209,396	0	\$10,388,948
Intergovernmental	10,038,585	1,603,771	0	6,180,340	0	17,822,696
Interest	125,896	\$1,847	77,880	415,847	\$265	621,735
Tuition	41,804	0	0	0	0	41,804
Extracurricular Activities	0	455,611	0	0	0	455,611
Classroom Materials and Fees	1,672	0	0	0	0	1,672
Donations	0	0	0	176,967	0	176,967
Miscellaneous	139,227	0	0	0	0	139,227
Total Revenues	19,791,448	2,061,229	813,168	6,982,550	265	29,648,660
Expenditures:						

Current:						
Instruction:						
Regular	9,761,103	346,963	0	0	0	10,108,066
Special	1,949,424	350,876	0	0	0	2,300,300
Vocational	375,514	0	0	0	0	375,514
Other	226,102	73	0	0	0	226,175
Support Services:						
Pupils	885,231	191,374	0	0	0	1,076,605
Instructional Staff	992,107	368,204	0	0	0	1,360,311
Board of Education	30,558	0	0	0	0	30,558
Administration	1,454,430	29,719	0	0	0	1,484,149
Fiscal	568,444	0	579	0	0	569,023
Operation and Maintenance of Plant	2,001,781	0	0	0	0	2,001,781
Pupil Transportation	757,747	0	0	0	0	757,747
Central	317	0	0	0	0	317
Operation of Non-Instructional Services						
Services	2,412	559,678	0	0	100	562,190
Extracurricular Activities	367,080	307,030	0	0	0	674,110
Capital Outlay	974,878	0	0	4,332,004	0	5,306,882
Debt Service:						
Principal Retirement	0	0	257,777	0	0	257,777
Interest and Fiscal Charges	0	0	546,558	0	0	546,558
Total Expenditures	20,347,128	2,153,917	804,914	4,332,004	100	27,638,063
Excess of Revenues Over (Under) Expenditures	(555,680)	(92,688)	8,254	2,650,546	165	2,010,597
Other Financing Sources (Uses):						

Proceeds from Sale of Fixed Assets	2,949	0	0	2,700	0	5,649
Inception of Lease	900,000	0	0	0	0	900,000
Refund of Prior Year Revenue	(195)	0	0	0	0	(195)
Refund of Prior Year Expenditures	25,783	0	0	0	0	25,783
Operating Transfers In	0	0	157,074	0	0	157,074
Operating Transfers Out	(188,992)	0	0	0	0	(188,992)
Total Other Financing Sources (Uses)	739,545	0	157,074	2,700	0	899,319
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	183,865	(92,688)	165,328	2,653,246	165	2,909,916
Residual Equity Transfer In	200,000	0	0	0	0	200,000
Fund Balances (Deficit) at Beginning of Year	774,143	384,308	112,730	8,373,581	4,629	9,649,391
Fund Balances (Deficit) at End of Year	\$1,158,008	\$291,620	\$278,058	\$11,026,827	\$4,794	\$12,759,307

See accompanying notes to the general purpose financial statements.

Tiffin City School District

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types								
	General Fund			Special Revenue Funds			Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Taxes	\$9,165,385	\$9,276,153	\$110,768	0	0	0	711,858	711,858	0
Earnings on Investments	175,000	112,971	(62,029)	\$31,000	\$1,847	(\$29,153)	0	0	0
Tuition and Fees	45,000	40,299	(4,701)	0	0	0	0	0	0
Extracurricular Activities	0	0	0	358,700	327,801	(30,899)	0	0	0
Intergovernmental Revenue	9,510,000	10,038,585	528,585	1,708,872	1,621,767	(87,105)	77,880	77,880	0
Miscellaneous	90,000	121,580	31,580	12,548	101,811	89,263	0	0	0
Total Revenues	18,985,385	19,589,588	604,203	2,111,120	2,053,226	(57,894)	789,738	789,738	0
Expenditures:									
Current:									
Instruction:									
Regular	9,307,515	9,360,439	(52,924)	358,073	354,965	3,108	0	0	0
Special	2,027,000	1,934,575	92,425	358,519	339,141	19,378	0	0	0
Vocational	387,050	386,784	266	0	0	0	0	0	0
Other	102,000	234,935	(132,935)	0	0	0	0	0	0
Support Services:									
Pupils	876,225	873,927	2,298	216,144	201,657	14,487	0	0	0
Instructional Staff	977,335	991,065	(13,730)	392,989	392,814	175	0	0	0
Board of Education	46,500	46,083	417	0	0	0	0	0	0
Administration	1,707,725	1,608,752	98,973	30,567	27,079	3,488	0	0	0
Fiscal	652,940	665,353	(12,413)	0	0	0	\$584	\$579	\$5
Operation and Maintenance of Plant	1,959,000	1,986,116	(27,116)	0	0	0	0	0	0
Pupil Transportation	559,500	803,775	(244,275)	0	0	0	0	0	0
Central	2,000	172	1,828	0	0	0	0	0	0
Operation of Non-Instructional Services	0	0	0	718,206	640,177	78,029	0	0	0
Extracurricular Activities	368,100	371,654	(3,554)	336,574	321,839	14,735	0	0	0
Capital Outlay	974,878	974,878	0	0	0	0	0	0	0
Debt Service-Principal	0	0	0	0	0	0	1,053,858	1,007,777	46,081
-Interest	0	0	0	0	0	0	545,558	545,558	0
Total Expenditures	19,947,768	20,238,508	(290,740)	2,411,072	2,277,672	133,400	1,600,000	1,553,914	46,086
Excess of Revenues Over Expenditures	(962,383)	(648,920)	313,463	(299,952)	(224,446)	75,506	(810,262)	(764,176)	46,086
Other Financing Sources (Uses):									
Proceeds of Notes	0	0	0	0	0	0	700,000	750,000	50,000
Inception of Lease	900,000	900,000	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	5,000	2,949	(2,051)	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	20,703	20,703	0	0	0	0	0	0
Refund of Prior Year Receipts	(195)	(195)	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	157,074	157,074	0
Operating Transfers Out	(188,992)	(188,992)	0	0	0	0	0	0	0
Advances In	0	0	0	0	22,037	22,037	0	0	0
Advances Out	(22,037)	(22,037)	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	693,776	712,428	18,652	0	22,037	22,037	857,074	907,074	50,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(268,607)	63,508	332,115	(299,952)	(202,409)	97,543	46,812	142,898	96,086
Fund Balances at Beginning of Year	1,383,227	1,383,227	0	255,179	255,179	0	111,730	111,730	0
Prior Year Encumbrances Appropriated	275,833	275,833	0	248,962	248,962	0	0	0	0
Fund Balances (Deficit) at End of Year	\$1,390,453	\$1,722,568	332,115	\$204,189	\$301,732	97,543	\$158,542	\$254,628	96,086

See accompanying notes to the general purpose financial statements.

Governmental Fund Types -----			-----Fiduciary Fund Types-----			Totals		
-----Capital Projects Funds-----			-----Expendable Trust Funds-----			----- (Memorandum Only) -----		
Revised		Variance	Revised		Variance	Revised		Variance
Budget	Actual	Favorable	Budget	Actual	Favorable	Budget	Actual	Favorable
		(Unfavorable)			(Unfavorable)			(Unfavorable)
\$220,000	\$228,516	\$8,516	0	0	0	\$10,097,243	\$10,216,527	119,284
140,000	421,012	281,012	\$500	\$265	(\$235)	346,500	536,095	189,595
0	0	0	0	0	0	45,000	40,299	(4,701)
0	0	0	0	0	0	358,700	327,801	(30,899)
6,006,811	6,180,340	173,529	0	0	0	17,303,563	17,918,572	615,009
177,103	176,967	(136)	0	0	0	279,651	400,358	120,707
<u>6,543,914</u>	<u>7,006,835</u>	<u>462,921</u>	<u>500</u>	<u>265</u>	<u>(235)</u>	<u>28,430,657</u>	<u>29,439,652</u>	<u>1,008,995</u>
18,422	0	18,422	0	0	0	9,684,010	9,715,404	(31,394)
0	0	0	0	0	0	2,385,519	2,273,716	111,803
0	0	0	0	0	0	387,050	386,784	266
0	0	0	0	0	0	102,000	234,935	(132,935)
0	0	0	0	0	0	1,092,369	1,075,584	16,785
0	0	0	0	0	0	1,370,324	1,383,879	(13,555)
0	0	0	0	0	0	46,500	46,083	417
0	0	0	0	0	0	1,738,292	1,635,831	102,461
6,000	0	6,000	0	0	0	659,524	665,932	(6,408)
0	0	0	0	0	0	1,959,000	1,986,116	(27,116)
0	0	0	0	0	0	559,500	803,775	(244,275)
0	0	0	0	0	0	2,000	172	1,828
0	0	0	4,000	100	3,900	722,206	640,277	81,929
0	0	0	0	0	0	704,674	693,493	11,181
9,688,138	4,468,966	5,219,172	0	0	0	10,663,016	5,443,844	5,219,172
0	0	0	0	0	0	1,053,858	1,007,777	46,081
0	0	0	0	0	0	545,558	545,558	0
<u>9,712,560</u>	<u>4,468,966</u>	<u>5,243,594</u>	<u>4,000</u>	<u>100</u>	<u>3,900</u>	<u>33,675,400</u>	<u>28,539,160</u>	<u>5,136,240</u>
<u>(3,168,646)</u>	<u>2,537,869</u>	<u>5,706,515</u>	<u>(3,500)</u>	<u>165</u>	<u>3,665</u>	<u>(5,244,743)</u>	<u>900,492</u>	<u>6,145,235</u>
0	0	0	0	0	0	700,000	750,000	50,000
0	0	0	0	0	0	900,000	900,000	0
0	2,700	2,700	0	0	0	5,000	5,649	649
0	0	0	0	0	0	0	20,703	20,703
0	0	0	0	0	0	(195)	(195)	0
0	0	0	0	0	0	157,074	157,074	0
0	0	0	0	0	0	(188,992)	(188,992)	0
0	0	0	0	0	0	0	22,037	22,037
0	0	0	0	0	0	(22,037)	(22,037)	0
<u>0</u>	<u>2,700</u>	<u>2,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,550,850</u>	<u>1,644,239</u>	<u>93,389</u>
<u>(3,168,646)</u>	<u>2,540,569</u>	<u>5,709,215</u>	<u>(3,500)</u>	<u>165</u>	<u>3,665</u>	<u>(3,693,893)</u>	<u>2,544,731</u>	<u>6,238,624</u>
8,965,459	8,965,459	0	4,629	4,629	0	10,720,224	10,720,224	0
134,837	134,837	0	0	0	0	659,632	659,632	0
<u>\$5,931,650</u>	<u>\$11,640,865</u>	<u>5,709,215</u>	<u>\$1,129</u>	<u>\$4,794</u>	<u>3,665</u>	<u>\$7,685,963</u>	<u>\$13,924,587</u>	<u>6,238,624</u>

Tiffin City School District
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 All Proprietary Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 2002

	PROPRIETARY FUNDS		FIDUCIARY FUND	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust	
Operating Revenues:				
Food Service Sales	\$428,977	0	0	\$428,977
Classroom Fee	84,500	0	0	84,500
Interest on Investments	0	0	\$178	178
Total Operating Revenues	513,477	0	178	513,655
Operating Expenses:				
Salaries	289,951	0	0	289,951
Fringe Benefits	120,524	0	0	120,524
Purchased Services	4,477	0	0	4,477
Materials and Supplies	145,285	0	0	145,285
Cost of Sales	314,329	0	0	314,329
Depreciation	9,187	0	0	9,187
Other Operating Expenses	0	0	500	500
Total Operating Expenses	883,753	0	500	884,253
Operating Income (Loss)	(370,276)	0	(322)	(370,598)
Non-Operating Revenues (Expenses):				
Federal Donated Commodities	106,018	0	0	106,018
Grants	264,165	0	0	264,165
Interest Income	759	\$7,647	0	8,406
Other Non-Operating Revenue	439	0	0	439
Total Non-Operating Revenues (Expenses)	371,381	7,647	0	379,028
Net Income (Loss) before Operating Transfers	1,105	7,647	(322)	8,430
Operating Transfer In	31,918	0	0	31,918
Net Income (Loss)	33,023	7,647	(322)	40,348
Depreciation on Fixed Assets Acquired by Contributed Capital	2,865	0	0	2,865
Residual Equity Transfer Out	0	(200,000)	0	(200,000)
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	(8,911)	401,509	14,026	406,624
Retained Earnings/Fund Balance (Deficit) at End of Year	26,977	209,156	13,704	290,185
Contributed Capital at beginning of year	22,922	0	0	22,922
Depreciation on Fixed Assets Acquired by Contributed Capital	(2,865)	0	0	(2,865)
Contributed Capital End Of Year	20,057	0	0	20,057
Total Fund Equity at End of Year	\$47,034	\$209,156	\$13,704	\$310,242

See accompanying notes to the general purpose financial statements.

Tiffin City School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 2002

	PROPRIETARY FUNDS		FIDUCIARY FUND	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash Flows from Operating Activities:				
Cash Received from Food Services	\$428,977	0	0	\$428,977
Cash Received from Other Operating Revenue	84,500	0	\$178	84,678
Cash Received from Other Non-Operating Revenues	439	0	0	439
Cash Payments to Employees for Services	(281,724)	0	0	(281,724)
Cash Payments for Employee Benefits	(120,223)	0	0	(120,223)
Cash Payments to Suppliers for Goods and Services	(356,347)	0	(500)	(356,847)
Net Cash Provided by (Used for) Operating Activities	(244,378)	0	(322)	(244,700)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	264,165	0	0	264,165
Operating Transfer In	31,918	0	0	31,918
Residual Equity Transfer Out	0	(\$200,000)	0	(200,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	296,083	(200,000)	0	96,083
Cash Flows from Investing Activities:				
Interest on Investments	759	7,647	0	8,406
Net Cash Provided by (Used for) Investing Activities	759	7,647	0	8,406
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	(379)	0	0	(379)
Net Cash Provided by (Used for) Capital Activities	(379)	0	0	(379)
Net Increase (Decrease) in Cash and Cash Equivalents	52,085	(192,353)	(322)	(140,590)
Cash and Cash Equivalents at Beginning of Year	66,982	401,509	14,026	482,517
Cash and Cash Equivalents at End of Year	\$119,067	\$209,156	\$13,704	\$341,927
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(\$370,276)	\$0	(\$322)	(\$370,598)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	9,187	0	0	9,187
Donated Commodities Received During Year	106,018	0	0	106,018
Other Non-Operating Revenues	439	0	0	439
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	38	0	0	38
(Increase)/Decrease in Prepaid Items	301	0	0	301
(Increase)/Decrease in Inventory Held for Resale	(173)	0	0	(173)
Increase/(Decrease) in Accounts Payable	(1,388)	0	0	(1,388)
Increase/(Decrease) in Accrued Wages	(8,481)	0	0	(8,481)
Increase/(Decrease) in Compensated Absences Payable	(1,289)	0	0	(1,289)
Increase/(Decrease) in Intergovernmental Payable	17,997	0	0	17,997
Increase/(Decrease) in Deferred Revenue	3,249	0	0	3,249
Total Adjustments	125,898	0	0	125,898
Net Cash Provided by Operating Activities	(\$244,378)	\$0	(322)	(\$244,700)
Nonexpendable Trust Cash Reconciliation to Balance Sheet:				
Trust and Agency Funds per Balance Sheet			\$64,295	
Less Agency Funds			(45,797)	
Less Expendable Trust Fund			(4,794)	
Nonexpendable Trust Fund Cash Per Above			\$13,704	

Noncash Activities:

Donated commodities are received from the federal government in the Food Service enterprise fund in the amount of \$106,018

See accompanying notes to the general purpose financial statements.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tiffin City School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the district's accounting policies are described below:

A. DESCRIPTION OF THE ENTITY

The Tiffin City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Tiffin City School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2002, was 3,284. The District employed 16 administrative employees, 233 certificated employees and 133 non-certificated employees.

Tiffin City School District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and nonprogrammed services.

This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organizations's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. Most component units are included in the financial reporting entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending).

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

Management believes the financial statements included in this report represent all of the funds of the School District over which Tiffin City School District is financially accountable for.

B. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities and functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

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

Internal Service Funds - Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Agency Funds are not required to be presented on a budgetary basis..

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds and Trust Funds.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental Funds and Expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is thirty days after the June 30 year-end.

Revenue - Exchange and Non-exchange Transactions:

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

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

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

Deferred Revenue:

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures:

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established time-table. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriation cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget:

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the district by March 1. As part of this certification, the district receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the district must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the year.

Appropriations:

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the NON-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

Lapsing of Appropriations:

As the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. EQUITY IN POOLED CASH AND INVESTMENTS

To improve cash management, all cash received by the school 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 school 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 2002, investments were limited to repurchase agreements. 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.

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 2002 amounted to \$125,896.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the school district are considered to be cash equivalents. Investments with an initial maturity of more than three months 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. During the fiscal year, restricted assets totaled \$222,501.

F. ESTIMATES

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

G. INVENTORIES

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost (first in, first out) or market and consists of expendable supplies for resale. The costs of inventory items are recognized as expenditures in governmental fund types when purchased and expenses in the proprietary fund types when used.

H. PREPAID ITEMS

Prepayments and deferrals for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

I. FIXED ASSETS

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during fiscal year 2002.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

J. COMPENSATED ABSENCES

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater were considered expected to become eligible to retire in accordance with GASB 16.

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.

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Debt Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following fiscal year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepaid items, budget stabilization, scholarships, and tax revenue unavailable for appropriation. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. INTERGOVERNMENTAL REVENUES

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

Entitlements:

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants:

Special Revenue Funds

Management Information Systems
Dwight Eisenhower Professional Development
Title VI-B
Title I
Title VI
Drug Free Schools
School to Work Assurance

Capital Project Funds

School Net
Ohio School Net Ameritech

Reimbursable Grants:

Proprietary Funds

National School Lunch Program
Government Donated Commodities
School Breakfast Program

N. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. STATEMENT OF CASH FLOWS

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The District has presented a statement of cash flows for its Enterprise, Internal Service, and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

P. FINANCIAL REPORTING FOR PROPRIETARY FUND TYPE

The District's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. MEMORANDUM ONLY - TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 -- EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and cash equivalent pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". Statutes require the classification of monies held by the District into three categories:

Active Monies: 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 Monies: 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 Monies: 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. Ohio law permits 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 State Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or other obligations of 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 for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchased;
4. Bonds and other obligations of the State of Ohio;

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

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 section 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 Tiffin City School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits. At fiscal year end, the carrying amount of the School's deposits and cash on hand was \$11,771,962 and the bank balance was \$12,870,429.

The School's deposits are categorized to give an indication of the level of credit risk assumed by the entity at fiscal year end. Category 1 includes deposits that are insured or collateralized with securities held by the School or its safekeeping agent in the School's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the School's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the School's name. The following show the school deposits in each category:

Category 1: \$212,152 was covered by federal depository insurance, by collateral held by the School or by collateral held by a qualified third party trustee and not in the name of the School.

Category 3: \$12,658,277 was uninsured deposits collateralized with securities held by the pledging financial institution's department or safekeeping agent in the School's name.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Statutes authorize the School District to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the state treasurer's investment pool (STAR OHIO).

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

The School's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the School or its agent in the School's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the School's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the School's name.

		<u>Carrying Amount</u>	<u>Fair Value</u>
North Central Insurance Trust	Category C	\$209,156	\$209,156
Repurchase Agreement	Category C	2,810,000	2,810,000
Securities Held	Category A	<u>1,383</u>	<u>1,383</u>
<u>TOTAL INVESTMENTS</u>		<u>\$3,020,539</u>	<u>\$3,020,539</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$11,294,001	\$3,500,000
Cash on hand	(1,500)	
Investments:		
Certificates of Deposit over 90 days	3,500,000	(3,500,000)
Repurchase Agreement	(2,810,000)	2,810,000
North Central Insurance Trust	(209,156)	209,156
Security Held	(1,383)	1,383
GASB Statement No. 3	<u>\$11,771,962</u>	<u>\$3,020,539</u>

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 3 -- PROPERTY TAXES

Property taxes, include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property assessments are 25% of true value.

The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2002 First- Half Collections</u>		<u>2001 Second- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Public Utility	\$275,611,140	79%	\$272,356,990	78%
Tangible Personal Property	<u>72,485,454</u>	21%	<u>75,958,499</u>	22%
Total Assessed Value	\$348,096,594	100%	\$348,315,489	100%
Tax rate per \$1,000 of assessed valuation		\$49.15		\$43.65

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$26.3951 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$38.5358 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of June 30, 2002. Total property tax collections for the next fiscal year are measurable and amounts received during the available period (ninety percent of amount held by county auditor at June 30, 2002) were recognized as revenue June 30 and are intended to finance 2001/2002 operations. Any taxes received after June 30, 2002 were not considered to be available to finance 2001/2002 operations and were therefore offset by a credit to deferred revenue. Deferred revenue consists of real estate taxes for the last half of assessed taxes for calendar year 2001 and assessed taxes of calendar year 2002.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 4 -- RECEIVABLES

Receivables at June 30, 2002, 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:

<u>Receivables</u>	<u>Amount</u>
<u>General Fund:</u>	
Taxes - Current	\$7,946,755
Taxes - Delinquent	<u>481,089</u>
Total Taxes	<u>\$8,427,844</u>
Accounts Receivable	\$25,795
Accrued Interest Receivable	18,225
<u>Special Revenue Fund:</u>	
Intergovernmental Receivable	\$8,004
<u>Debt Service Fund:</u>	
Taxes - Current	<u>\$816,685</u>
Total Taxes	<u>\$816,685</u>
<u>Capital Project Fund:</u>	
Taxes - Current	\$206,403
Taxes - Delinquent	<u>12,336</u>
Total Taxes	<u>\$218,739</u>

NOTE 5 -- FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Balance</u> <u>7/1/01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/02</u>
Land	\$3,249,023	\$469,457	-	\$3,718,480
Buildings	8,855,518	3,992,674	-	12,848,192
Improvement other than Buildings	1,332,381	65,594	-	1,397,975
Equipment	4,780,561	195,802	-	4,976,363
Vehicles	<u>1,131,330</u>	<u>230,952</u>	<u>-</u>	<u>1,362,282</u>
Total	<u>\$19,348,813</u>	<u>\$4,954,479</u>	<u>\$ -</u>	<u>\$24,303,292</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 2002:

	<u>Enterprise</u> <u>Funds</u>
Cafeteria Equipment	\$346,070
Less: Accumulated Depreciation	<u>(328,576)</u>
Net Fixed Assets	<u>\$ 17,494</u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	50 years
Equipment	8-20 years
Vehicles	3-5 years

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 6 -- DEBT OBLIGATIONS

A. Long-Term Debt

Long-term obligations of the School District as of June 30, 2002 were as follows:

<u>General Long-Term Account Group:</u>	<u>Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/02</u>
Fifth Third - Various Purpose Bonds 4.78%; Matures 6/01/2004	\$ 112,307	\$ -	\$35,681	\$76,626
Citicorp - Energy Conservation Note 5.25%; Matures 7/15/2014	1,117,850	-	58,465	1,059,385
School Improvement G. O. Bonds from 2.90% to 6.25%; Matures 12/01/2023	9,815,000	-	130,000	9,685,000
Capital Lease Payable	-	900,000	33,631	866,369
Accrued Wages	30,000	-	5,000	25,000
Intergovernmental Payable	385,068	389,563	385,068	389,563
Compensated Absences	<u>942,654</u>	<u>-</u>	<u>137,063</u>	<u>805,591</u>
Totals	<u>\$ 12,402,879</u>	<u>\$1,289,563</u>	<u>\$784,908</u>	<u>\$12,907,534</u>

The Energy Conservation Note is for the improvement of energy conservation in the school buildings. The School Improvement Bonds are for the purpose of paying the local share of the school construction and acquiring a site for the classroom facilities. All general obligation notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the district. The current year activity for compensated absences is netted for practical reasons.

The accrued vacation and sick leave benefits recorded above represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate fund types. The accrued wages, intergovernmental payable and compensated absences will be paid from the funds where the employees are paid.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2002

B. Notes Payable - Current

Notes Payable of the School District as of June 30, 2002 were as follows:

<u>Notes Payable</u>	<u>Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/02</u>
Site Acquisition Notes Series 2001B, 5.75% Issued 5/9/2002 Matures 5/10/2003	<u>\$ 750,000</u>	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$ 750,000</u>

The annual requirements to amortize all bond and note debt outstanding as of June 30, 2002, including interest is as follows:

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>Energy Conservation Note</u>	<u>School Improvement Bonds</u>	<u>Site Acquisition Note</u>
2003	\$ 40,623	\$ 116,429	\$ 586,105	793,125
2004	40,625	116,465	592,855	-
2005	-	116,502	614,115	-
2006	-	116,544	624,255	-
2007	-	116,585	643,630	-
2008-2012	-	583,640	4,080,125	-
Thereafter	-	<u>292,344</u>	<u>9,773,355</u>	-
Total	81,248	1,458,509	16,914,440	793,125
Less: Amount representing interest	<u>4,622</u>	<u>399,124</u>	<u>7,229,440</u>	<u>43,125</u>
TOTAL	<u>\$ 76,626</u>	<u>\$1,059,385</u>	<u>\$9,685,000</u>	<u>\$750,000</u>

NOTE 7 -- OPERATING LEASES AGREEMENTS

Tiffin City School District has entered into operating lease agreements for modular classrooms, copiers, land, and a vehicles. These agreements are, in substance, rental agreements (operating leases), and are classified as operating lease rental payments in the financial statements. The following summarizes future minimum lease payments under the operating leases at June 30, 2002:

<u>Fiscal Year Ending June 30</u>	<u>Payments</u>
2003	\$ 75,232
2004	60,441
2005	<u>51,016</u>
Total lease payments	<u>186,689</u>

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 8 -- BUDGETARY

While 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 and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances, Budget (NON-GAAP Basis) and Actual, All Governmental Fund Types and Similar Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds, and as a note disclosure in the proprietary fund types and nonexpendable trust funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the fiscal year on the Budget Basis to the GAAP basis are as follows:

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures/Expenses and Other Financing Uses</u>				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trusts</u>
Budget Basis	\$ 63,508	\$ (202,409)	\$142,898	\$ 2,540,569	\$ 165
Adjustments:					
Revenue					
Accruals	68,750	(22,038)	(726,570)	(24,285)	-
Expenditure					
Accruals	(106,880)	(38,813)	749,000	(21,484)	-
Encumbrances	<u>158,487</u>	<u>162,568</u>	<u>-</u>	<u>158,446</u>	<u>-</u>
GAAP Basis	<u>\$183,865</u>	<u>\$(100,692)</u>	<u>\$165,328</u>	<u>\$2,653,246</u>	<u>\$ 165</u>

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 9 -- SEGMENT INFORMATION - ENTERPRISE

The government maintains two enterprise funds which are intended to be self-supporting through user fees charged for services to the students. Financial segment information as of and for the fiscal year ended June 30, 2002 is presented below:

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating Revenues	\$428,977	\$84,500	\$513,477
Operating Expenses	767,256	116,497	883,753
Depreciation Expense	9,187	-	9,187
Operating Income (Loss)	(338,279)	(31,997)	(370,276)
Net Income (Loss)	33,102	(79)	33,023
Net Cash Flow	52,164	(79)	52,085
Total Assets	167,924	(79)	167,845
Total Equity	47,113	(79)	47,034

NOTE 10 -- COMPENSATED ABSENCES

Vacation:

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

Sick Leave:

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

Service Retirement:

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on twenty-five percent (25%) of accumulative sick leave to a maximum of 57.50 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 45 days.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

At June 30, 2002 the current amount of unpaid compensated absences, in all funds except for the Proprietary Fund, and the balance of the liability in the General Long-Term Obligation Account Group were \$23,049 and \$805,591, respectively. The liability for compensated absences in the Proprietary Funds at June 30, 2002 was \$25,510.

NOTE 11 -- DEFINED BENEFIT PENSION PLANS

The employees of the district are covered by Employee Retirement System of Ohio (SERS) or the State Teachers Retirement System of Ohio (STRS). The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$450,774, \$422,715, and \$303,818, respectively; 32.9 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$302,443 is recorded as a liability within respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a public available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3771, or by calling (614)-227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the years ended June 30, 2002, 2001 and 2000 were \$1,460,207, \$1,490,402, and \$1,613,109, respectively; 81.9 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$263,956 is recorded as a liability within respective funds.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

C. Social Security Tax

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, the five board of education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$469,352 for the fiscal year ended June 30, 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal period, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay had been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$378,153 for the fiscal year ended June 30, 2002.

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. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the latest information available, the Retirement System's net assets available for payment of health care benefits as \$315.7 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 13 -- INTERFUND TRANSACTIONS

Operating Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$(188,992)
Debt Service Fund	157,074	-
Uniform Supplies Fund	<u>31,918</u>	<u>-</u>
Total of all Funds	<u>\$188,992</u>	<u>\$188,992</u>

Residual Equity Transfer

Internal Service Fund	\$ -	\$200,000
General Fund	<u>200,000</u>	<u>-</u>
Total of all Funds	<u>\$200,000</u>	<u>\$200,000</u>

Self insurance was discontinued by the school district and the balance in the Self Insurance Fund is gradually being transferred to the General Fund. The balance left is being invested and will be used in case of any catastrophic claims the school district might incur and have to pay. See Note 15.

NOTE 14 -- RISK MANAGEMENT

Employees Health Care:

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

The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

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 register. The district has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
Educational Liability Policy	\$1,000,000	Each occurrence	\$ -
	\$5,000,000	Aggregate	
	\$100,000	Fire damage	
	\$5000	Medical payments	
Vehicle Policy	\$1,000,000	Bodily injury	\$250
	\$1,000,000	Property damage	
	\$5,000	Medical payments	
	\$1,000,000	Uninsured Motorist	
Building and Contents	\$39,943,317		\$1,000
Data Processing Equipment	\$800,000		\$500/1000
Musical Instruments	\$300,000		\$500
Blanket Bond	\$10,000	Per Individual	
Treasurer's Bond	\$20,000		
Commercial Crime	\$13,000		

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

OSBA Worker's Compensation Group Rating Program:

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

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

NOTE 15 -- RESERVE FOR CATASTROPHIC CLAIMS

The Internal Service Fund includes the financial activity of the District's former self-insurance fund. On May 1, 1997 the North Central Joint Insurance Trust (association) changed the form of the insurance pool by not identifying risk with individual members and began pooling risk. The District agreed to use the balance in the fund as a Reserved for Catastrophic Claims. At June 30 the "Reserved for Catastrophic Claims" totaled \$209,156 which includes interest earned. The reserved was not used this year. Currently, increased health premiums are being paid from individual operating funds.

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 16 -- JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association - The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among among thirty-eight area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts and service Districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating District and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating service centers are located. Each district's authority is limited to its representation on the Board. Financial information can be obtained by contracting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 17 -- CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although management expects such amounts, if any, to be immaterial.

The District's attorney and management is aware of no other litigation.

NOTE 18 -- STATUTORY RESERVES

The District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had qualifying disbursements during the year that reduce the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set-aside at the discretion of the School District.

	<u>Budget Stabilization Reserve</u>	<u>Textbook Set-Aside Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Total</u>
Balance 7/1/01	\$141,077	\$ -	\$ -	\$141,077
Set-Aside	<u>81,424</u>	<u>-</u>	<u>-</u>	<u>81,424</u>
Balance 6/30/02	<u>\$222,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$222,501</u>

TIFFIN CITY SCHOOL DISTRICT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 19 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001 asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001 the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 20 - ACCOUNTABILITY AND COMPLIANCE

1. Ohio Revised Code 5705.41 (B), State that no subdivision or taxing unit to expend money unless it has been properly appropriated.

The following function levels were found to have expenditures plus encumbrances exceeding appropriations:

General	
Instruction – Regular	\$ (25,141)
Instruction – Other	(132,936)
Support Services – Instructional Staff	(12,248)
Support Services – Fiscal Services	(11,111)
Support Services – Operation of Plant & Maintenance	(14,216)
Support Services – Pupil Transportation	(15,871)
Sports Oriented Activities	(12,129)

2. Ohio Revised Code 5705.41 (D), states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from a previous encumbrances. Several instances were noted where the certification was not properly made.

TIFFIN CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For The Year Ended June 30, 2002

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
<u><i>U.S. Department of Education</i></u>				
<i>Passed through the Ohio Department of Education:</i>				
Title I - Educationally Deprived Children	044891-C1-S1-02	84.010	358,784	356,240
	044891-C1-S1-01	84.010	-	33,122
	044891-C1-SD-02	84.010	<u>13,491</u>	<u>11,839</u>
Total Title I			372,275	401,201
Title VI B - Education of all Handicapped	044891-6B-SF-01	84.027	-	16,837
	044891-6B-SF-02	84.027	<u>333,019</u>	<u>320,290</u>
Total Title VI B			333,019	337,127
Safe and Drug-Free Schools and Communities	044891-DR-S1-01	84.186	-	182
	044891-DR-S1-02	84.186	<u>15,407</u>	<u>15,388</u>
Total Drug-Free			15,407	15,570
Eisenhower Professional Development	044891-MS-S1-00	84.281	3,885	7,502
	044891-MS-S1-01	84.281	1,336	2,826
	044891-MS-S1-02	84.281	<u>15,136</u>	<u>14,215</u>
Total Eisenhower			20,357	24,543
Title VI - Innovative Education Program	044891-C2-S1-00	84.298	-	3,849
	044891-C2-S1-01	84.298	-	3,116
	044891-C2-S1-02	84.298	<u>16,693</u>	<u>12,915</u>
Total Title VI - Innovative Education Program			16,693	19,880
Technology Literacy Challenge - Raising the Bar	044891-TF-24-01	84.318	<u>(2,282)</u>	<u>7,988</u>
Total Technology Literacy Challenge			(2,282)	7,988
Class Size Reduction	044891-CR-S1-01	84.340	-	17,730
	044891-CR-S1-02	84.340	<u>71,603</u>	<u>73,052</u>
Total Class Size Reduction			71,603	90,782
School Renovation	N/A	84.352	<u>2,005</u>	<u>1,856</u>
Total School Renovation			2,005	1,856
Total U. S. Department of Education			829,077	898,947
<u><i>U.S. Department of Labor</i></u>				
<i>Passed through Ohio Department of Education:</i>				
School-to-Work	044891-WK-BE-99	17.249	<u>4,447</u>	<u>10,845</u>
Total U.S. Department of Labor			4,447	10,845
<u><i>U.S. Department of Agriculture</i></u>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Distribution	N/A	10.550	106,018	106,018
School Breakfast Program	044891-05-PU-02	10.553	12,697	12,697
National School Lunch Program	044891-04-PU-02	10.555	<u>239,549</u>	<u>239,549</u>
Total Nutrition Cluster			358,264	358,264
Total U. S. Department of Agriculture			358,264	358,264
TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS			<u><u>1,191,788</u></u>	<u><u>1,268,056</u></u>

See notes to the Schedule of Federal Awards Expenditures.

Tiffin City School District
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

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 the obligation is incurred.

2. **Food Distribution**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, 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, 2002, the District had food commodities in inventory recorded in the Enterprise Fund.

3. **Matching Requirements**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

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

Board of Education
Tiffin City School District
Tiffin, Ohio

We have audited the financial statements of the Tiffin City School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002. 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.

Compliance

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated November 25, 2002.

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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated November 25, 2002.

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.
November 25, 2002

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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**

Board of Education
Tiffin City School District
Tiffin, Ohio

Compliance

We have audited the compliance of the Tiffin City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. 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, 2002.

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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report 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.
November 25, 2002

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster: Donated Commodities CFDA # 10.550 National School Breakfast CFDA # 10.553 National School Lunch CFDA # 10.555
(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, 2002

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2001, contained material citations. The District has either corrected the problem or is repeated in the current report.



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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 4, 2003**