

TIFFIN CITY SCHOOL DISTRICT

Audit Report

For the Year Ended June 30, 2003

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Education
Tiffin City School District

We have reviewed the Independent Auditor's Report of the Tiffin City School District, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2002 through June 30, 2003. 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.

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

BETTY MONTGOMERY
Auditor of State

March 16, 2004

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TIFFIN CITY SCHOOL DISTRICT
Audit Report
For the Year Ended June 30, 2003

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Tiffin City School District
Tiffin, Ohio

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary position for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Interpretation No. 6.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2004 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 basic purpose financial statements of the Tiffin City Local 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 basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
February 20, 2004

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of Tiffin City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

Overall:

- For governmental activities, net assets decreased \$.724 million, which represents a 3.8 percent increase from 2002. Net assets of business-type related activities increased \$14,938 or 31.8 percent from 2002.
- General revenues accounted for \$20.0 million in revenue or 85.6 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.35 million or 14.4 percent of total governmental revenues of \$23.2 million.
- The District had \$22.5 million in expenses related to governmental activities; only \$3.35 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$23.2 million were adequate to provide for these programs.
- Among major funds, the general fund had \$18.8 million in revenues and \$18.4 million in expenditures. The general fund's fund balance decreased by \$51 thousand from \$1.4 million.
- Net assets for enterprise funds increased to \$62 thousand from \$47 thousand. Total enterprise expenditures were \$838 thousand; \$853 thousand of these expenses were offset by program specific charges for services, grants or contributions.

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 16. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions, however, these financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the middle school construction fund.

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

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

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The District as a Whole

Governmental Activities

Table 1 shows net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, net asset comparisons to prior fiscal years are not available.

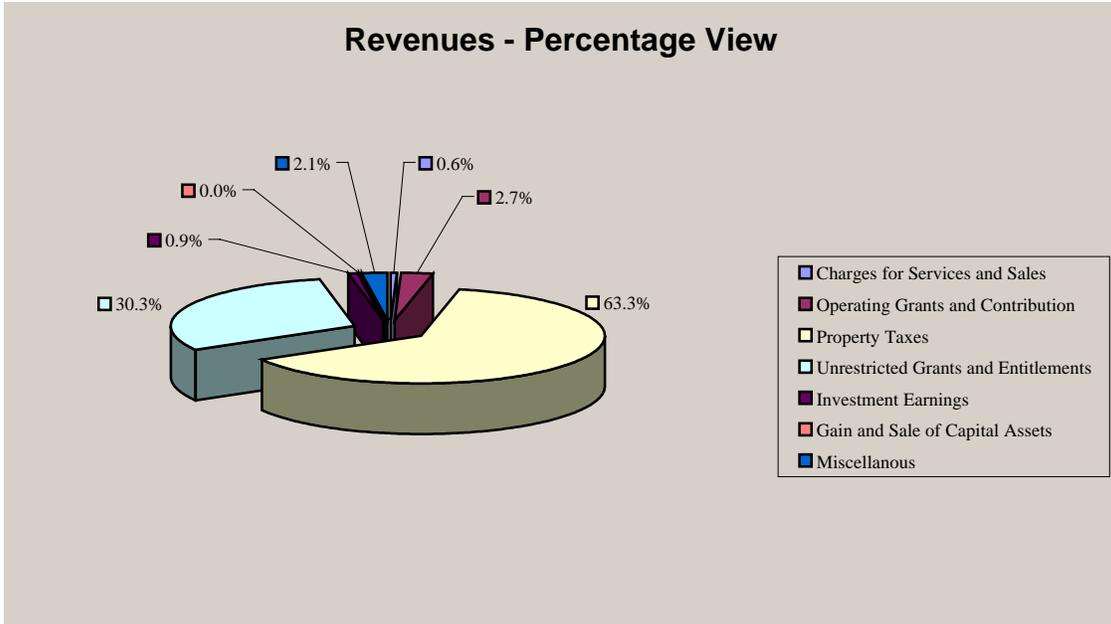
Table 1

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current and Other Assets	\$17,186,054	\$177,984	\$17,364,038
Capital Assets	<u>27,280,559</u>	<u>22,702</u>	<u>27,303,261</u>
Total Assets	<u>\$44,466,613</u>	<u>\$200,686</u>	<u>\$44,667,299</u>
<u>Liabilities</u>			
Long-Term Liabilities	\$13,767,018	\$23,014	\$13,790,032
Other Liabilities	<u>11,074,742</u>	<u>115,700</u>	<u>11,190,442</u>
Total Liabilities	<u>\$24,841,760</u>	<u>\$138,714</u>	<u>\$24,980,474</u>
<u>Net Assets</u>			
Invested in Capital Assets Net of Debt	\$15,084,538	\$45,404	\$15,129,942
Restricted	12,318,163	-	12,318,163
Unrestricted (Deficit)	<u>(7,797,847)</u>	<u>16,568</u>	<u>(7,781,279)</u>
Total Net Assets	<u>\$19,604,854</u>	<u>\$61,972</u>	<u>\$19,666,826</u>

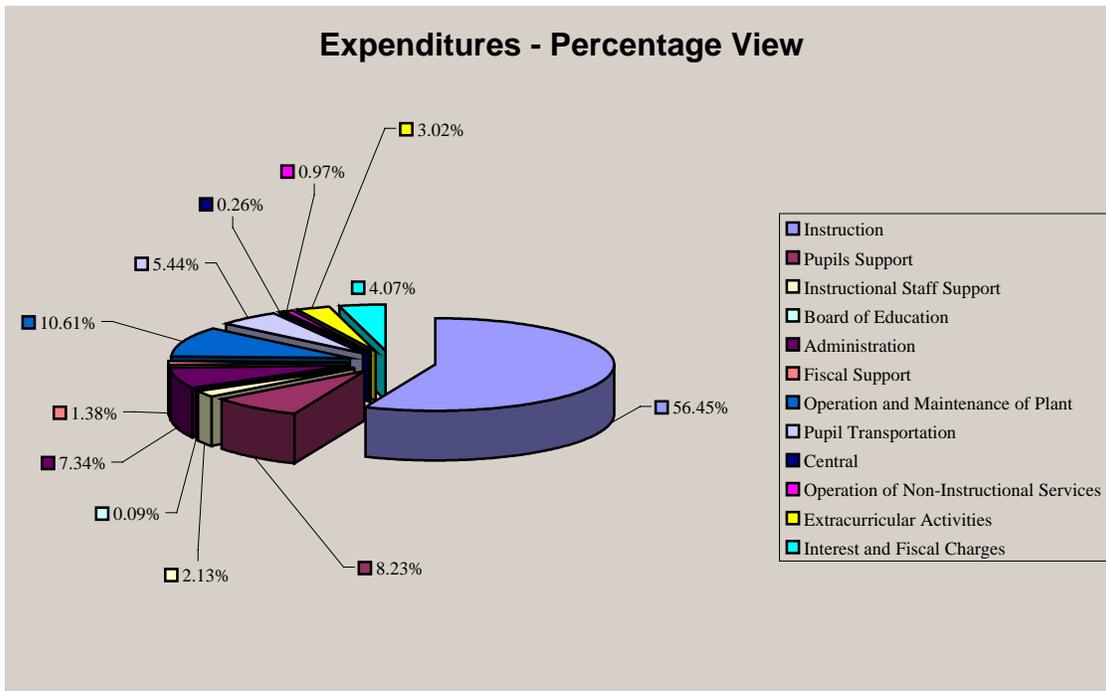
What are the District's Revenue Sources?

The following pie graph provides a summary of the District's Governmental Activities revenue sources for 2003.

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited



Where does the District spend its revenues?



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

Thus, districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 35.1 percent of revenue for governmental activities for Tiffin City School District in fiscal year 2003, a slight increase from prior years.

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

Table 2

**Total and Cost of Program Services-
Governmental Activities**

	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Instruction	\$11,967,694	\$10,296,606
Support Services		
Pupil and Instruction Staff	2,491,623	1,780,184
Board of Education, Administration, Fiscal and Business	2,478,773	2,421,652
Operation and Maintenance of Plant	1,906,528	1,901,896
Pupil Transportation	592,415	591,844
Central	1,732	1,732
Operation of Non-Instructional Services	546,023	38,746
Extracurricular Activities	597,886	597,841
Other	0	(392,947)
Unallocated Depreciation Expense	1,334,717	1,334,717
Interest and Fiscal Charges	<u>574,651</u>	<u>574,651</u>
Total Expenses	<u>\$22,492,541</u>	<u>\$19,147,222</u>

Tiffin City School District
 Management's Discussion and Analysis
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The dependence upon general tax revenues for governmental activities is apparent. Over 86.0 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 85.1 percent as shown in the above table. The community, as a whole, is by far the primary support for Tiffin City School District students.

Business-Type Activities

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

Overall Net (Expense) Revenue for business-type activities (food service and uniform school supplies), ended with a \$61,972 balance. Table 3 provides a revenue and expense summary for the District's business-type activities.

Table 3

Revenue and Expense for Business Type Activities

	Food Service	Uniform School Supplies
Revenues	\$785,825	67,373
Expenditures	<u>751,506</u>	<u>87,186</u>
Net	34,319	(19,813)

The District's Funds

Information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22.74 million and expenditures of \$31.84 million. The net change in fund balance for the year was most significant in the Middle School Construction Fund, where the fund balance decreased by \$5.65 million for fiscal year 2003.

General Fund Budgeting Highlights

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

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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During the course of fiscal year 2003 the District amended its General Fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

During the course of fiscal year 2003, the General Fund budgeted revenue increased by \$480 thousand over the original budget estimate. Total actual expenditures on the budget basis (cash outlays plus encumbrances) increased \$1.01 million over original projections.

Capital Assets and Debt Administration

At the end of fiscal year 2003, the District had \$27.30 million (net) invested in land, buildings, equipment and vehicles, \$27.28 million (net) in governmental activities.

Table 4 shows fiscal 2003 net fixed asset balances for governmental type activities and business-type activities compared to the prior fiscal year.

Table 4

Capital Assets
(Net of Accumulated Depreciation)

	<u>Governmental Type Activities</u>		<u>Business-Type Activities</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land and Improvements	\$4,691,430	\$4,594,354	\$0	\$0
Buildings	20,674,452	11,684,382	0	0
Equipment and Vehicles	<u>1,914,677</u>	<u>2,325,254</u>	<u>\$22,702</u>	<u>\$17,494</u>
Totals	<u>\$27,280,559</u>	<u>\$18,603,990</u>	<u>\$22,702</u>	<u>\$17,494</u>

The increase in capital assets is due to construction of a new building. The District continued its ongoing commitment to maintaining and improving its fixed assets.

In previous years, Ohio law required districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; this law was rescinded for 2003. The District maintained a \$222,501 budgetary stabilization reserve.

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Debt

Currently, the District has \$11,371,995 of Notes/Bonds Payable at June 30, 2003. For additional detail, see Note 15.

Current Financial Related Activities

In fiscal year 2003, Tiffin City Schools realized a significant decrease in personal property tax as a result of the loss of a local company. Also, due to decreasing enrollment and the transfer of property to another school district, the District is currently receiving the "basic aid guarantee" in the state funding formula. This means that Tiffin City Schools is currently being funded at the same level as in fiscal year 1998.

Tiffin City Schools has committed itself to financial excellence for many years. Due to loss in revenue, the District cut \$1.5 million from its operating budget in fiscal year 2003. Staff was reduced, two buildings were closed, and programming was cut. With its major source of revenue not keeping pace with expenditure increases, the District must seek additional tax revenue to continue current operations. However, the District cannot look to the State of Ohio for increased revenue and must be on the look out for unexpected additional budget reductions initiated by the Governor.

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

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

Declining state foundation payments due to charge-offs by the state provide no significant increase in future revenues. Increases in property tax revenues that do occur are offset by decreases in state foundation payments. With its major source of revenue not keeping pace with expenditure increases, the District must seek additional tax revenue to continue current operations. However, the District cannot look to the State of Ohio for increased revenue and must be on the look out for unexpected additional budget reductions initiated by the Governor.

Tiffin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Tiffin City School District. Thus, both taxes and state revenue are fixed or declining. The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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

Contacting the District's Financial Management

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

Tiffin City School District

Statement of Net Assets
June 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Investments	\$ 5,665,707	\$ 132,288	\$ 5,797,995
Cash and Cash Equivalents:			
With Escrow Agents	112,586	-	112,586
Receivables:			
Taxes	10,802,477	-	10,802,477
Accounts	5,937	-	5,937
Intergovernmental	283,341	-	283,341
Prepaid Items	73,505	-	73,505
Inventory Held for Resale	-	45,696	45,696
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	222,501	-	222,501
Land	3,718,480	-	3,718,480
Capital assets, net of depreciation	23,562,079	22,702	23,584,781
Total Assets	<u>\$ 44,446,613</u>	<u>\$ 200,686</u>	<u>\$ 44,647,299</u>
<u>Liabilities:</u>			
Accounts Payable	\$ 9,920	\$ -	\$ 9,920
Accrued Wages	1,660,143	39,936	1,700,079
Intergovernmental Payable	158,214	43,928	202,142
Deferred Revenue	8,984,345	31,836	9,016,181
Accrued Interest Payable	262,120	-	262,120
Long-Term Liabilities			
Due within one year	1,420,726	-	1,420,726
Due in more than one year	12,346,292	23,014	12,369,306
Total Liabilities	<u>24,841,760</u>	<u>138,714</u>	<u>24,980,474</u>
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	15,084,538	45,404	15,129,942
Restricted for:			
Capital Projects	10,858,908	-	10,858,908
Other Purposes	1,459,255	-	1,459,255
Unrestricted (deficit)	(7,797,847)	16,568	(7,781,279)
Total Net Assets	<u>\$ 19,604,854</u>	<u>\$ 61,972</u>	<u>\$ 19,666,826</u>

See accompanying notes to the basis financial statements.

Tiffin City School District

Statement of Activities
For the Fiscal Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
Instruction:							
Regular	\$ 9,128,291	\$ 759,230	\$ 287,977	\$ -	\$ (8,081,084)	\$ -	\$ (8,081,084)
Special	2,243,746	288,325	335,755	-	(1,619,666)	-	(1,619,666)
Vocational	195,945	-	-	-	(195,945)	-	(195,945)
Other	399,911	-	-	-	(399,911)	-	(399,911)
Support Services:							
Pupils	1,045,438	-	82,654	-	(962,784)	-	(962,784)
Instructional Staff	1,446,185	-	627,492	1,293	(817,400)	-	(817,400)
Board of Education	9,369	-	-	-	(9,369)	-	(9,369)
Administration	1,925,127	-	53,318	3,267	(1,868,542)	-	(1,868,542)
Fiscal	544,277	-	-	536	(543,741)	-	(543,741)
Business	300	-	-	-	(300)	-	(300)
Operation and Maintenance	1,906,528	-	3,602	1,030	(1,901,896)	-	(1,901,896)
Pupil Transportation	592,415	-	571	-	(591,844)	-	(591,844)
Central	1,732	-	-	-	(1,732)	-	(1,732)
Operation of Non-Instructional Services	546,023	-	507,277	-	(38,746)	-	(38,746)
Extracurricular Activities	597,886	-	45	-	(597,841)	-	(597,841)
Other	-	-	-	392,947	392,947	-	392,947
Unallocated Depreciation Expense	1,334,717	-	-	-	(1,334,717)	-	(1,334,717)
Interest and Fiscal Charges	574,651	-	-	-	(574,651)	-	(574,651)
Total governmental activities	<u>22,492,541</u>	<u>1,047,555</u>	<u>1,898,691</u>	<u>399,073</u>	<u>(19,147,222)</u>		<u>(19,147,222)</u>
Business-Type activities:							
Food Service	751,506	379,928	405,897	-	-	34,319	34,319
Uniform Supplies	87,186	67,373	-	-	-	(19,813)	(19,813)
Total Business-Type activities	<u>838,692</u>	<u>447,301</u>	<u>405,897</u>	<u>-</u>	<u>-</u>	<u>14,506</u>	<u>14,506</u>
Totals	<u>\$ 23,331,233</u>	<u>\$ 1,494,856</u>	<u>\$ 2,304,588</u>	<u>\$ 399,073</u>	<u>(19,147,222)</u>	<u>14,506</u>	<u>(19,132,716)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,159,406	-	8,159,406
Property taxes, levied for debt service					860,412	-	860,412
Property taxes, levied for capital projects					253,349	-	253,349
Grants and Entitlements not Restricted to Specific Purposes					9,987,382	-	9,987,382
Unrestricted investment earnings					118,113	432	118,545
Gain on sale of Capital Assets					2,653	-	2,653
Miscellaneous					489,889	-	489,889
Total general revenues					<u>19,871,204</u>	<u>432</u>	<u>19,871,636</u>
Change in net assets					723,982	14,938	738,920
Net assets - July 1, 2002 (As restated, See note 3)					<u>18,880,871</u>	<u>47,034</u>	<u>18,927,905</u>
Net assets - June 30, 2003					<u>\$ 19,604,853</u>	<u>\$ 61,972</u>	<u>\$ 19,666,825</u>

See accompanying notes to the basic financial statements.

	General	Middle School Construction	Other Governmental Funds	Total Governmental Funds		
					Total Governmental Fund Balances	\$ 4,635,614
					<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Assets:					Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,280,559
Equity in Pooled Cash and Investments	\$ 1,466,263	\$ 2,942,071	\$ 1,257,373	\$ 5,665,707	Other long-term assets are not available to pay current-period expenditures and therefore are deferred in the funds.	
Cash and Cash Equivalents:					Property Taxes	(684,477)
With Escrow Agents	112,586	-	-	112,586	Intergovernmental	(283,341)
Receivables:						967,818
Taxes	9,803,842	-	998,635	10,802,477		
Accounts	5,937	-	-	5,937		
Intergovernmental	-	-	283,341	283,341	Some liabilities are not due and payable in the current and therefore are not reported in the funds:	
Interfund Receivable	149,647	-	-	149,647	Intergovernmental Payable	(345,851)
Prepaid Items	72,794	-	711	73,505	Retirement Incentive Payable	(10,000)
Restricted Assets:					Compensated Absences Payable	(1,215,146)
Equity in Pooled Cash and Cash Equivalents	222,501	-	-	222,501	Capital Lease Payable	(824,026)
					G. O. Bonds and Notes Payable	(10,621,995)
Total Assets	\$ 11,833,570	\$ 2,942,071	\$ 2,540,060	\$ 17,315,701	Accrued Interest Payable	(262,120)
						(13,279,138)
Liabilities:					Net Assets of Governmental Activities	\$ 19,604,853
Accounts Payable	\$ 4,806	\$ -	\$ 5,114	\$ 9,920		
Accrued Wages	1,506,240	-	153,903	1,660,143		
Interfund Payable	-	-	149,647	149,647		
Intergovernmental Payable	143,933	-	14,281	158,214		
Deferred Revenue-Property Taxes	8,839,346	-	829,476	9,668,822		
Deferred Revenue- Intergovernmental	-	-	283,341	283,341		
Notes Payable	-	750,000	-	750,000		
Total Liabilities	10,494,325	750,000	1,435,762	12,680,087		
Fund Balances:						
Reserved for Encumbrances	95,680	61,932	167,988	325,600		
Reserved for Taxes Unappropriated	964,496	-	169,159	1,133,655		
Reserved for Budget Stabilization	222,501	-	-	222,501		
Unreserved, Reported in:						
General Fund (Deficit)	56,568	-	-	56,568		
Special Revenue Funds (Deficit)	-	-	(65,458)	(65,458)		
Debt Service Fund (Deficit)	-	-	413,652	413,652		
Capital Projects Funds (Deficit)	-	2,130,139	418,957	2,549,096		
Total Fund Balances	1,339,245	2,192,071	1,104,298	4,635,614		
Total Liabilities and Fund Balances	\$ 11,833,570	\$ 2,942,071	\$ 2,540,060	\$ 17,315,701		

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

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

	General	Middle School Construction	Other Governmental Funds	Total Governmental Funds		
					Net Change in Fund Balances-Total Governmental Funds	\$(8,351,104)
					Amounts reported in governmental activities in the statement of activities are different because:	
					Governmental funds report capital outlays as expenditures. However, in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays was over (under) depreciation in the current period.	
Revenues:					Capital Outlays	10,090,968
Taxes	\$ 8,058,152	\$ -	\$ 1,023,962	\$ 9,082,114	Depreciation	<u>(1,414,399)</u>
Intergovernmental	9,591,228	299,214	2,111,363	12,001,805		8,676,569
Investment Income	6,552	106,510	5,051	118,113		
Tuition	686,267	-	-	686,267		
Extracurricular Activities	-	-	288,325	288,325		
Classroom Materials and Fees	72,963	-	-	72,963		
Miscellaneous	385,055	16,380	88,454	489,889		
Total Revenue	<u>18,800,217</u>	<u>422,104</u>	<u>3,517,155</u>	<u>22,739,476</u>	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Expenditures:					Property Taxes	191,053
Current:					Grants	<u>283,341</u>
Instruction:					Repayment of debt and capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.	241,359
Regular	8,732,491	-	307,937	9,040,428		
Special	1,835,338	-	394,036	2,229,374	In the statement of activities, interest is accrued on on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	10,558
Vocational	187,507	-	-	187,507		
Other	399,911	-	-	399,911	Some expenses reported in the statment of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures governmental funds.	
Support Services:					Retirement Incentive	15,000
Pupils	838,640	-	180,507	1,019,147	Compensated Absences	<u>(386,506)</u>
Instructional Staff	915,635	-	535,140	1,450,775	Pension Obligations	<u>43,712</u>
Board of Education	80,243	-	-	80,243		(327,794)
Administration	1,767,309	69,929	29,768	1,867,006	Change in Net Assets of Governmental Activities	<u>\$ 723,982</u>
Fiscal	524,523	-	20,058	544,581		
Business	300	-	-	300		
Operation and Maintenance	1,993,657	22,048	8,564	2,024,269		
Pupil Transportation	576,601	-	550	577,151		
Central	1,732	-	-	1,732		
Operation of Non-Instructional	(8,851)	-	556,557	547,706		
Extracurricular Activities	338,493	-	260,595	599,088		
Capital Outlay	90,198	6,312,498	3,294,751	9,697,447		
Debt Service:						
Principal Retirement	42,343	-	949,016	991,359		
Interest and Fiscal Charges	44,476	-	540,733	585,209		
Total Expenditures	<u>18,360,546</u>	<u>6,404,475</u>	<u>7,078,212</u>	<u>31,843,233</u>		
Excess of Revenues Over (Under) Expenditures	<u>439,671</u>	<u>(5,982,371)</u>	<u>(3,561,057)</u>	<u>(9,103,757)</u>		
Other Financing Sources (Uses):						
Proceeds of Notes	-	-	750,000	750,000		
Proceeds from Sale of Fixed Assets	2,528	-	125	2,653		
Transfers In	-	335,979	157,740	493,719		
Transfers Out	(493,167)	(0)	(552)	(493,719)		
Total Other Sources (Uses)	<u>(490,639)</u>	<u>335,979</u>	<u>907,313</u>	<u>752,653</u>		
Net Change in Fund Balance	(50,968)	(5,646,392)	(2,653,744)	(8,351,104)		
Fund Balances (Deficit) at Beginning of Year	<u>1,390,213</u>	<u>7,838,463</u>	<u>3,758,042</u>	<u>12,986,718</u>		
Fund Balances (Deficits) End of Year	<u>\$ 1,339,245</u>	<u>\$ 2,192,071</u>	<u>\$ 1,104,298</u>	<u>\$ 4,635,614</u>		

See accompanying notes to the basic financial statements.

Tiffin City School District

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

For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 7,702,500	\$ 7,898,000	\$ 8,007,433	\$ 109,433
Earnings on Investments	75,000	75,000	688,365	613,365
Tuition and Fees	62,000	62,000	91,344	29,344
Intergovernmental Revenue	9,463,873	9,819,000	9,591,228	(227,772)
Miscellaneous	163,000	93,000	397,969	304,969
Total Revenues	17,466,373	17,947,000	18,776,339	829,339
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,647,500	8,684,724	8,906,135	(221,411)
Special	1,909,000	1,909,336	1,849,825	59,511
Vocational	191,400	192,016	194,872	(2,856)
Other	175,000	188,211	417,010	(228,799)
Support Services:				
Pupils	784,500	784,941	843,498	(58,557)
Instructional Staff	842,600	860,430	965,417	(104,987)
Board of Education	42,000	45,373	94,380	(49,007)
Administration	1,486,000	1,496,578	1,721,881	(225,303)
Fiscal	658,500	661,095	499,923	161,172
Business	-	-	300	(300)
Operation and Maintenance of Plant	1,895,000	2,748,258	2,059,226	689,032
Pupil Transportation	569,000	615,120	585,606	29,514
Central	250	250	1,877	(1,627)
Extracurricular Activities	348,750	371,850	328,534	43,316
Capital Outlay	-	-	90,198	(90,198)
Total Expenditures	17,549,500	18,558,182	18,558,682	(500)
Excess of Revenues Over Expenditures	(83,127)	(611,182)	217,657	828,839
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	-	2,500	2,528	28
Refund of Prior Year Expenditures	500	20,000	107,812	87,812
Refund of Prior Year Receipts	-	(500)	-	500
Operating Transfers Out	(200,000)	(650,000)	(493,167)	156,833
Advances Out	-	-	(127,610)	(127,610)
Total Other Financing Sources (Uses)	(199,500)	(628,000)	(510,437)	117,563
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(282,627)	(1,239,182)	(292,780)	946,402
Fund Balances at Beginning of Year	1,722,568	1,722,568	1,722,568	-
Prior Year Encumbrances Appropriated	158,489	158,489	158,489	-
Fund Balances (Deficit) at End of Year	\$ 1,598,430	\$ 641,875	\$ 1,588,277	\$ 946,402

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Net Assets
Proprietary Funds
June 30, 2003

	<u>Business-Type Activities</u> <u>Enterprise</u> <u>Funds</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 132,288
Inventory Held for Resale	<u>45,696</u>
Total Current Assets	177,984
Capital Assets, (Net)	<u>22,702</u>
Total Assets	<u><u>\$ 200,686</u></u>
<u>Liabilities:</u>	
Accrued Wages	\$ 39,936
Intergovernmental Payable	43,928
Deferred Revenue	<u>31,836</u>
Total Current Liabilities	115,700
Long-Term Liabilities:	
Compensated Absences Payable	<u>23,014</u>
Total Long-Term Liabilities	<u>23,014</u>
Total Liabilities	138,714
<u>Net Assets:</u>	
Invested in capital assets, net of related debt	45,404
Unrestricted	<u>16,568</u>
Total Net Assets	<u><u>\$ 61,972</u></u>

See accompanying notes to the basic financial statements.

Tiffin City School District

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

For the Fiscal Year Ended June 30, 2003

	Business-Type Activities Enterprise Funds
	<u> </u>
<u>Operating Revenues:</u>	
Food Services	\$ 379,928
Classroom Fees	<u>67,373</u>
Total Operating Revenues	<u>447,301</u>
 <u>Operating Expenses:</u>	
Salaries	235,486
Fringe Benefits	166,209
Purchased Services	5,183
Materials and Supplies	120,138
Cost of Sales	300,371
Depreciation	10,124
Other	<u>1,181</u>
Total Operating Expenses	<u>838,692</u>
 Operating Income (Loss)	 <u>(391,391)</u>
 <u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	136,055
Operating Grants	269,842
Interest Income	<u>432</u>
Total Non-Operating Revenues (Expenses)	<u>406,329</u>
 Change in Net Assets	 14,938
Total Net Assets at Beginning of Year	<u>47,034</u>
Total Net Assets at End of Year	<u><u>\$ 61,972</u></u>

See accompanying notes to the basic financial statements.

Tiffin City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities Enterprise Funds
	<u> </u>
Increase (Decrease) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 447,301
Cash Payments to Suppliers for Goods and Services	(297,746)
Cash Payments to Employees for Services	(267,814)
Cash Payments for Employee Benefits	<u>(122,281)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(240,540)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	269,842
Other Expenses	<u>(1,181)</u>
Net Cash Provided by Noncapital Financing Activities	<u>268,661</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(15,332)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(15,332)</u>
<u>Cash flows from Investing Activities:</u>	
Interest on Investments	<u>432</u>
Net Cash Provided by Investing Activities:	<u>432</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,221
Cash and Cash Equivalents Beginning of Year	<u>119,067</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 132,288</u></u>
 Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ (391,391)
Adjustments:	
Net Cash from Operating Activities:	
Depreciation	10,124
Donated Commodities Revenue	136,055
Non-Operating change in accruals	1,181
(Increase) Decrease in Assets:	
Inventory Held for Resale	(14,412)
Accrued Wages	5,835
Compensated Absences Payable	(2,496)
Intergovernmental Payable	8,261
Deferred Revenue	<u>6,303</u>
Total Adjustments	<u>150,851</u>
Net Cash Provided by Operating Activities	<u><u>\$ (240,540)</u></u>

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2003

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 18,740	\$ 49,810
Total Assets	<u>\$ 18,740</u>	<u>\$ 49,810</u>
<u>Liabilities:</u>		
Accrued Wages	-	\$ 45
Due to Students	-	49,765
Total Liabilities	<u>-</u>	<u>\$ 49,810</u>
<u>Net Assets:</u>		
Resricted for Scholarships	\$ 18,740	
Total Net Assets	<u>\$ 18,740</u>	

See accompanying notes to the basic financial statements.

Tiffin City School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
<u>Additions:</u>		
Interest Income	<u>\$ 242</u>	
Total Additions		242
<u>Deductions:</u>		
Other		<u>-</u>
Total Deductions		<u>-</u>
Change in Net Assets		242
Net Assets Beginning of Year		<u>18,498</u>
Net Assets End of Year		<u><u>\$ 18,740</u></u>

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

The Tiffin City School District (District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) as of October 1, 2002 was 2973. The District employed 216 certificated employees and 128 non-certificated employees.

Reporting Entity: The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financials are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, community services, and student related activities of the District.

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

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

B. FUND ACCOUNTING

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

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

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

Middle School Construction Fund This capital project fund is used to account for all financial resources related to the construction of the new middle school. Bond and notes are used to finance the construction of the school and the fund will terminate when the construction is complete.

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

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

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

C. MEASUREMENT FOCUS

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

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

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

D. BASIS OF ACCOUNTING

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are meant are also recorded as deferred revenue.

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

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

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

E. BUDGETARY PROCESS

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

F. CASH AND INVESTMENTS

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

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposit, savings accounts and STAR Ohio. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the time of purchase is reported at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$6,552 The middle school construction fund was credited with \$106,510 and other governmental funds had \$5,051 of interest revenue.

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

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. During fiscal year, restricted assets totaled \$222,501.

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

G. INVENTORIES

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

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

H. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

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

I. CAPITAL ASSETS

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15
Buildings and Improvements	40
Furniture and Equipment	10
Vehicles	10

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

J. INTERFUND BALANCES

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

K. COMPENSATED ABSENCES

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

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

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

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

M. NET ASSETS

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

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

N. FUND BALANCE RESERVES

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and budget stabilization in the governmental funds. The net assets of the private purpose trust fund are restricted in the fiduciary funds.

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

O. OPERATING REVENUES AND EXPENSE

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

P. CONTRIBUTIONS OF CAPITAL

Contributions of capital in Food Service enterprise fund financial statements arise from outside contributions of federal donated commodities.

Q. INTERFUND TRANSACTIONS

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. ESTIMATES

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

S. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

NOTE 3 -- CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments"; GASB No. 37 "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB 37 and 38.

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net assets amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental fund at June 30, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation of No. 6 clarifies the application of standards for the modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Restatement of Fund Balance The restatements of GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Middle School Construction	Nonmajor	Total
Fund Balance June 30, 2002	\$1,158,008	\$7,838,463	\$3,762,836	\$12,759,307
Reclassification of Funds	209,156		(4,794)	204,362
Interpretation 6 Adjustment:				
Compensated Absences Payable	<u>23,049</u>	-	-	<u>23,049</u>
Adjusted Fund Balance	<u>\$1,390,213</u>	<u>\$7,838,463</u>	<u>\$3,758,042</u>	<u>\$12,986,718</u>
GASB 34 Adjustments:				
Capital Assets				18,603,990
Accrued Interest Payable				(272,678)
Long-Term Liabilities				(12,930,583)
Long-Term (Deferred) Assets				<u>493,424</u>
Governmental Activities Net Assets, June 30, 2002				<u>\$18,880,871</u>

NOTE 4 -- BUDGETARY BASIS OF ACCOUNTING

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

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Net Change in Fund Balance

	<u>General</u>
<u>Budget Basis</u>	\$(292,780)
Adjustments:	
Revenue Accruals:	
Accrued FY2002, Received in Cash FY2003	(957,797)
Accrued FY2003, Not Yet Received in Cash	873,863
Expenditure Accruals:	
Accrued FY2002, Paid in Cash FY2003	1,679,834
Accrued FY2003, Not Yet Paid in Cash	(1,582,185)
Encumbrances	100,487
Other Financial Sources/Uses:	
Advances (Net)	<u>127,610</u>
GAAP Basis	<u><u>\$(50,968)</u></u>

NOTE 5 -- DEPOSITS AND INVESTMENTS

Deposits:

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

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

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United 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

**TIFFIN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchased agreement must exceed the principal value of the agreements by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in 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 the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Deposits At fiscal year end, the carrying amount of the School's deposits was \$521,163 and the bank balance was \$1,663,809. Of the bank balance, \$110,391 was covered by federal depository insurance. \$1,553,418 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
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Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Local School District's name. The District's investment in STAR Ohio is unclassified because it is not evidenced by securities that exist in physical or book.

	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
North Central Insurance Trust	\$ -	\$112,586	\$112,586
Securities Held	1,383	-	1,383
National City Repurchased Agreement	<u>-</u>	<u>5,565,000</u>	<u>5,565,000</u>
Total Investments	<u>\$1,383</u>	<u>\$5,677,586</u>	<u>\$5,678,969</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$6,201,632	\$ -
Cash on Hand	(1,500)	
North Central Insurance Trust	(112,586)	112,586
Security Held	(1,383)	1,383
Repurchase Agreement	<u>(5,565,000)</u>	<u>5,565,000</u>
GASB Statement 3	<u>\$ 521,163</u>	<u>\$ 5,678,969</u>

NOTE 6 -- PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes for 2003 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2003 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**TIFFIN CITY SCHOOL DISTRICT
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Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2003 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The amount available as an advance at June 30, 2003, was \$964,496 in the General Fund, \$130,062 in the Debt Service Fund and \$39,097 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002		2003	
	<u>First-Half Collections</u>		<u>Second-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Public Utility	\$275,611,140	79%	\$293,930,070	85%
Tangible Personal Property	<u>72,485,454</u>	<u>21%</u>	<u>52,724,066</u>	<u>15%</u>
Total Assessed Value	\$348,096,594	100%	\$346,654,136	100%
Tax rate per \$1,000 of assessed valuation	\$49.15		\$49.15	

NOTE 7 -- RECEIVABLES

Receivables at June 30, 2003, 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:

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
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<u>Receivables</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
<u>Property Taxes:</u>	
General:	
Current	9,221,500
Delinquent	<u>582,342</u>
Total General Fund	9,803,842
Debt Service:	
Current	692,500
Delinquent	<u>78,529</u>
Total Debt Service	771,029
Permanent Improvement:	
Current	204,000
Delinquent	<u>23,605</u>
Total Permanent Improvement	227,605
<u>Accounts Receivable</u>	5,937
<u>Intergovernmental Receivables:</u>	
Alternative School	15,560
Title VI-B	129,045
Title I	98,020
Title V Innovation	3,983
Class Size Reduction	35,081
ATIP	<u>1,652</u>
Total Intergovernmental Receivables	283,341
Total Governmental Activities	<u>\$11,241,402</u>
Grand Total	<u>\$11,241,402</u>

NOTE 8 -- CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Balance 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/03</u>
Governmental Activities				
Land	\$ 3,718,480	\$ -	\$ -	\$3,718,480
Land Improvements	1,397,975	203,865	-	1,601,840
Buildings and Improvements	12,848,192	9,550,636	-	22,398,828
Furniture and Equipment	4,976,363	288,108	-	5,264,471
Vehicles	<u>1,362,282</u>	<u>48,359</u>	-	<u>1,410,641</u>
Totals at Historical Cost	<u>\$24,303,292</u>	<u>\$10,090,968</u>	<u>\$ -</u>	<u>\$34,394,260</u>

**TIFFIN CITY SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Balance 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/03</u>
Less Accumulated Depreciation:				
Land and Improvements	\$ 522,101	\$ 106,789	\$ -	\$628,890
Buildings and Improvements	1,163,810	560,566	-	1,724,376
Furniture and Equipment	2,913,689	659,975	-	3,573,664
Vehicles	<u>1,099,702</u>	<u>87,069</u>	<u>-</u>	<u>1,186,771</u>
Total Accumulated Depreciation	<u>5,699,302</u>	<u>1,414,399</u>	<u>-</u>	<u>7,113,701</u>
Governmental Activities Capital Assets, Net	<u>\$18,603,990</u>	<u>\$8,676,569</u>	<u>\$ -</u>	<u>\$27,280,559</u>
Business-Type Activities				
Furniture and Equipment	\$ 346,070	\$ 15,332	\$ -	\$361,402
Less Accumulated Depreciation	<u>328,576</u>	<u>10,124</u>	<u>-</u>	<u>338,700</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,494</u>	<u>\$ 5,208</u>	<u>\$ -</u>	<u>\$ 22,702</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular Instruction	\$718
Support Service:	
Pupils	1,016
Instructional Staff	12,044
Administration	9,186
Fiscal	745
Operation and Maintenance of Plant	20,810
Transportation	34,597
Extracurricular	201
Non-Instructional	366
Unallocated Depreciation	<u>1,334,716</u>
Total Depreciation Expense	<u>\$ 1,414,399</u>

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Improvements other than Buildings	15 years
Equipment	8-10 years
Vehicles	5 years

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 9 – RESTRICTED ASSETS

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes:

Assets:

Equity in Pooled Cash and Cash Equivalents:

General Fund:

Budget stabilization	<u>\$222,501</u>
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Total Governmental Activities Restricted Assets	<u>\$222,501</u>
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NOTE 10 -- INTERFUND RECEIVABLE/INTERFUND PAYABLE

Interfund balances at June 30, 2003, consist of the following individual fund receivables and payables:

<u>Fund:</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 149,647	\$ -
Special Revenue Funds:		
Columbian Blue and Gold	-	13,385
St. Joseph Auxiliary	-	718
Alternative School Grant	-	7,945
IDEA	-	31,691
Title I	-	56,895
Title VI	-	3,731
Federal Emergency Repair	-	4,260
Class Size Reduction Grant	-	<u>31,022</u>
	-	
TOTALS	<u>\$ 149,647</u>	<u>\$ 149,647</u>

NOTE 11 -- 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.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
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FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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:

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
Educational Liability Policy	\$1,000,000	Each occurrence	\$2,500
	\$2,000,000	Aggregate	
	\$300,000	Fire damage	
	\$15,000	Medical payments	
General Liability	\$2,000,000	General Aggregate	
Vehicle Policy	\$1,000,000	Bodily injury	\$250
	\$1,000,000	Property damage	
	\$10,000	Medical payments	
	\$1,000,000	Uninsured Motorist	
Building and Contents	\$35,806,251		\$2,500
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 it workers' compensation premium to the State based on the rate for

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 received 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 12 -- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and The School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2003, 8.17 percent of annual covered salary was the portion 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's required contribution for pension obligations to SERS for the year ended June 30, 2003, 2002 and 2001 were \$476,735, \$450,774 and \$422,715 respectively; 45.48 percent has been contributed for fiscal year 2003 and 100.00 percent has been contributed for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$114,130 is recorded as a liability.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

For the fiscal year 2003, Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS for the year ended June 30, 2003, 2002, and 2001 were \$1,505,355, \$1,460,207 and \$1,490,402; 92.27 percent being paid in 2003 and 100.00 percent has been contributed for fiscal years 2002 and 2001. There is \$101,959 representing the unpaid contribution for fiscal year 2003 is recorded as an intergovernmental payable.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS).

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. Effective July 1, 2002, 1% of covered payroll will allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002, the latest information available. For the School, this amount equaled \$107,525 for the fiscal year ended June 30, 2003.

For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and there were 105,300 eligible benefit recipients.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The Ohio Revised Code gives SERS the discretionary authority to provide post retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal period, employer contributions to fund health care benefits were 5.83 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 \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. For the School, the amount to fund health care benefits, including surcharge, was \$356,710 for the fiscal year ended June 30, 2003.

Health care benefits are financed on a pay-as-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits was \$303.6 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

NOTE 14 -- 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
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

At June 30, 2003 the amount of unpaid compensated absences, in all funds except for the Proprietary Fund, was \$1,215,146. The liability for compensated absences in the Proprietary Funds at June 30, 2003 was \$23,014.

NOTE 15 -- LONG-TERM LIABILITIES

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

	Principal Outstanding 6/30/02	Additions	Reductions	Principal Outstanding 6/30/03	Amounts Due In One Year
Governmental Activities					
Site Acquisition Notes, Series 2001 B, 4.50% Matures 5/6/04	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Fifth Third - Various Purpose Bonds 4.78%; Matures, 6/1/04	76,626	-	37,407	39,219	39,219
Citicorp-Energy Conservation Note, 5.25%; Matures 7/15/2014	1,059,385	-	61,609	997,776	64,922
School Improvement General Obligation. Bonds from 2.90% to 6.25% Matures 12/01/2023	9,685,000	-	100,000	9,585,000	110,000
Accrued Wages	25,000	-	15,000	10,000	10,000
Compensated Absences	805,591	1,215,146	805,591	1,215,146	56,113
Intergovernmental Payable	389,563	345,851	389,563	345,851	345,851
Capital Lease Payable	<u>866,369</u>	<u>-</u>	<u>42,343</u>	<u>824,026</u>	<u>44,621</u>
Total Governmental Activities Long-Term Liabilities	<u>\$13,657,534</u>	<u>\$2,310,997</u>	<u>\$2,201,513</u>	<u>\$13,767,018</u>	<u>\$1,420,726</u>
Business-Type Activities					
Compensated Absences Payable	<u>7,879</u>	<u>23,014</u>	<u>7,879</u>	<u>23,014</u>	<u>-</u>
Total Business-Type Activities	<u>\$7,879</u>	<u>\$23,014</u>	<u>\$7,879</u>	<u>\$23,014</u>	<u>\$ -</u>
Total Long Term Liabilities				<u>\$13,790,032</u>	<u>\$1,420,726</u>

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

The School District's overall debt margin was \$20,240,528 at June 30, 2003.

The annual requirements to amortize all debt outstanding as of June 30, 2003, including interest is as follows:

Fiscal Year Ending June 30	General Obligation Bonds	Energy Conservation Note	School Improvement Bonds	Site Acquisition Note
2004	\$40,625	\$116,465	\$592,855	\$783,750
2005	-	116,502	614,115	-
2006	-	116,544	624,255	-
2007	-	116,585	643,630	-
2008	-	116,630	816,805	-
2009-2013	-	583,900	4,077,755	-
Thereafter	-	<u>175,454</u>	<u>8,958,920</u>	-
Sub-Total	40,625	1,342,080	16,328,335	783,750
Less: Amount representing interest	<u>1,406</u>	<u>344,304</u>	<u>6,743,335</u>	<u>33,750</u>
TOTAL	<u>\$ 39,219</u>	<u>\$997,776</u>	<u>\$9,585,000</u>	<u>\$750,000</u>

NOTE 16 -- CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of school buses. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds. Capital assets acquired by lease have been capitalized in the amount of \$104,034. A liability was recorded in the Government Wide Financial Statements for \$59,528. Principal payments in the 2003 fiscal year totaled \$42,343. This amount is reflected as "Debt Service Principal" in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2003:

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>June 30 Year Ending</u>	<u>Capital Lease Liability</u>
2004	\$86,819
2005	86,819
2006	86,819
2007	86,819
2008	86,819
2009-2013	433,914
2014-2017	<u>274,926</u>
Total Minimum Lease Payments	1,142,935
Less: Amount Representing Interest	<u>(318,909)</u>
 Present Value of Future Minimum Lease Payment	 <u><u>\$824,026</u></u>

NOTE 17 -- 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, 2003:

<u>Fiscal Year Ending June 30</u>	<u>Payments</u>
2004	\$ 60,441
2005	<u>51,016</u>
Total	<u><u>\$111,457</u></u>

NOTE 18 -- SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003:

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Budget Stabilization Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Textbook Set-Aside Reserve</u>	<u>Total</u>
Balance 7/1/02	\$222,501	\$ -	\$ -	\$222,501
Required Set-Aside Qualifying	-	189,577	189,577	379,154
Expenditures	-	(189,577)	(189,577)	(379,154)
Balance 6/30/03	<u>\$222,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$222,501</u>
Amount Carried Forward to Fiscal Year 2004				<u>\$222,501</u>

NOTE 19 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

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

C. School Funding Decision

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

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

TIFFIN CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For The Year Ended June 30, 2003

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Education</u>				
<i>Passed through the Ohio Department of Education:</i>				
Title I - Educationally Deprived Children	044891-C1-S1-03	84.010	\$ 340,930	\$ 395,737
	044891-C1-S1-01	84.010	50,799	62,056
	044891-C1-SD-03	84.010	<u>12,406</u>	<u>12,406</u>
Total Title I			404,135	470,199
Title VI B - Education of all Handicapped	044891-6B-SF-02	84.027	3,854	28,643
	044891-6B-SF-03	84.027	<u>303,352</u>	<u>335,043</u>
Total Title VI B			307,206	363,686
Safe and Drug-Free Schools and Communities	044891-DR-S1-02	84.186	-	169
	044891-DR-S1-03	84.186	<u>22,551</u>	<u>15,923</u>
Total Safe and Drug-Free Schools			22,551	16,092
Eisenhower Professional Development	044891-MS-S1-02	84.281	<u>1,044</u>	<u>1,906</u>
Total Eisenhower Professional Development			1,044	1,906
Title VI - Innovative Education Program	044891-C2-S1-02	84.298	-	3,778
	044891-C2-S1-03	84.298	<u>20,082</u>	<u>20,219</u>
Total Title VI - Innovative Education Program			20,082	23,997
Technology Literacy Challenge - Raising the Bar	044891-TJ-S1-03	84.318	<u>6,371</u>	<u>2,538</u>
Total Technology Literacy Challenge			6,371	2,538
Class Size Reduction	044891-CR-S1-01	84.340	-	4,028
	044891-CR-S1-02	84.340	<u>-</u>	<u>8,522</u>
Total Class Size Reduction			-	12,550
School Renovation	N/A	84.352	638	638
	N/A	84.352	<u>-</u>	<u>4,260</u>
Total School Renovation			638	4,898
Improving Teacher Quality State Grant	044891-TR-S1-03	84.367	<u>140,872</u>	<u>166,835</u>
Total Improving Teacher Quality State Grant			140,872	166,835
Total U. S. Department of Education			902,899	1,062,701
<u>U.S. Department of Labor</u>				
<i>Passed through Ohio Department of Education:</i>				
School-to-Work	044891-WK-BE-99	17.249	<u>-</u>	<u>15</u>
Total U.S. Department of Labor			-	15
<u>U.S. Department of Agriculture</u>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Distribution	N/A	10.550	31,985	31,985
School Breakfast Program	044891-05-PU-03	10.553	10,722	10,722
National School Lunch Program	044891-04-PU-03	10.555	<u>225,670</u>	<u>225,670</u>
Total Nutrition Cluster			<u>268,377</u>	<u>268,377</u>
Total U. S. Department of Agriculture			268,377	268,377
TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS			\$ <u>1,171,276</u>	\$ <u>1,331,093</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, 2003

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, 2003, 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.

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

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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 basic financial statements of the Tiffin City School District, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 20, 2004, wherein we noted the District adopted Government Accounting Standards Board Statement No. 34 and Interpretation No. 6. 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 basic 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 the management of the District in a separate letter dated February 20, 2004.

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 basic 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 February 20, 2004.

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.
February 20, 2004

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Certified Public Accountants

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**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, 2003. 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, 2003.

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.
February 20, 2004

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY
June 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title I CFDA # 84.010 Title II CFDA # 84.367
(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, 2003

**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, 2002, did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

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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
APRIL 6, 2004**