

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

*BASIC FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006*

**JENNIFER M. HEDRICK, TREASURER**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Tiffin City School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 6, 2007

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**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Tiffin City School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Tiffin City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2007, on our consideration of the Tiffin City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Tiffin City School District  
Page Two

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
September 11, 2007



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The discussion and analysis of Tiffin City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets decreased \$109,469. Net assets of governmental activities decreased \$167,855, which represents a .91% decrease from 2005. Net assets of business-type activities increased \$58,386 or 39.47% from 2005.
- General revenues of the governmental activities accounted for \$20,740,521 in revenue or 81.53% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,700,002 or 18.47% of total governmental activities revenues of \$25,440,523.
- The District had \$25,608,378 in expenses related to governmental activities, \$4,700,002 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,740,521 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$21,650,973 in revenues and other financing sources and \$21,546,464 in expenditures and other financing uses. The fund balance of the general fund increased from \$318,019 to \$422,528.
- Net assets for the District's enterprise funds increased \$58,386 or 39.47%. Total enterprise expenses were \$869,140. All of the expenses were offset by program specific charges for services, grants or contributions.

**Using this Financial Report**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

**Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service and uniform school supplies programs are reported as business activities.

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9 and the analysis of the District's business-type activities enterprise funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

***Proprietary Funds***

The proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets is on pages 26 - 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-57 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2006 and 2005.

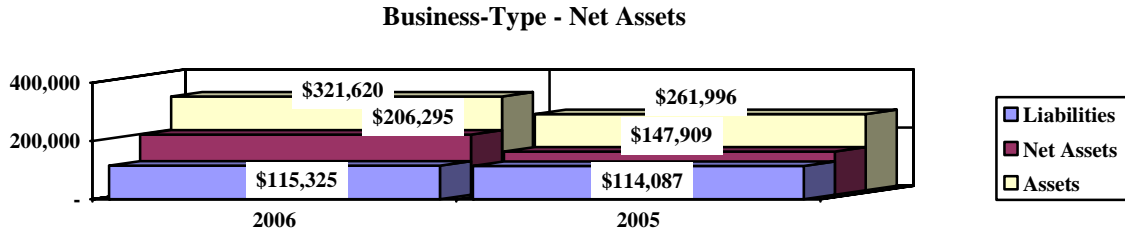
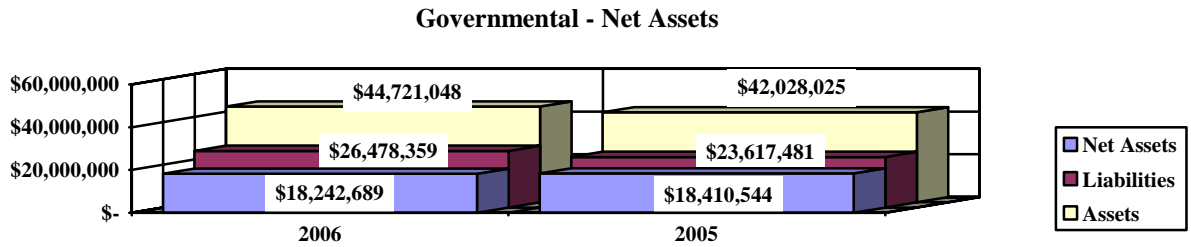
	<b>Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>						
Current assets	\$ 15,890,309	\$ 13,423,880	\$ 304,722	\$ 235,585	\$ 16,195,031	\$ 13,659,465
Capital assets	<u>28,830,739</u>	<u>28,604,145</u>	<u>16,898</u>	<u>26,411</u>	<u>28,847,637</u>	<u>28,630,556</u>
Total assets	<u>44,721,048</u>	<u>42,028,025</u>	<u>321,620</u>	<u>261,996</u>	<u>45,042,668</u>	<u>42,290,021</u>
<b><u>Liabilities</u></b>						
Current liabilities	13,969,801	11,257,238	80,146	82,502	14,049,947	11,339,740
Long-term liabilities	<u>12,508,558</u>	<u>12,360,243</u>	<u>35,179</u>	<u>31,585</u>	<u>12,543,737</u>	<u>12,391,828</u>
Total liabilities	<u>26,478,359</u>	<u>23,617,481</u>	<u>115,325</u>	<u>114,087</u>	<u>26,593,684</u>	<u>23,731,568</u>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of related debt	17,634,936	17,147,321	16,898	26,411	17,651,834	17,173,732
Restricted	2,620,318	2,627,571	-	-	2,620,318	2,627,571
Unrestricted (deficit)	<u>(2,012,565)</u>	<u>(1,364,348)</u>	<u>189,397</u>	<u>121,498</u>	<u>(1,823,168)</u>	<u>(1,242,850)</u>
Total net assets	<u>\$ 18,242,689</u>	<u>\$ 18,410,544</u>	<u>\$ 206,295</u>	<u>\$ 147,909</u>	<u>\$ 18,448,984</u>	<u>\$ 18,558,453</u>

Total net assets decreased by \$109,469 due primarily to an increase in liabilities, including compensated absences and capital lease obligations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental and business-type activities net assets, liabilities and assets for fiscal years 2006 and 2005:



The table below shows the changes in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,582,033	\$ 1,342,132	\$ 470,298	\$ 451,518	\$ 2,052,331	\$ 1,793,650
Operating grants and contributions	2,790,590	2,073,772	455,031	387,558	3,245,621	2,461,330
Capital grants and contributions	327,379	43,873	-	-	327,379	43,873
General revenues:						
Property taxes	10,722,559	10,451,694	-	-	10,722,559	10,451,694
Payment in lieu of taxes	392,882	319,116	-	-	392,882	319,116
Grants and entitlements	9,447,230	9,815,895	-	-	9,447,230	9,815,895
Investment earnings	83,131	34,136	2,197	4,563	85,328	38,699
Miscellaneous	94,719	293,348	-	-	94,719	293,348
<b>Total revenues</b>	<u>25,440,523</u>	<u>24,373,966</u>	<u>927,526</u>	<u>843,639</u>	<u>26,368,049</u>	<u>25,217,605</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b><u>Expenses</u></b>						
Program expenses:						
Instruction:						
Regular	\$ 10,028,788	\$ 9,442,541	\$ -	\$ -	\$ 10,028,788	\$ 9,442,541
Special	3,016,920	2,712,049	-	-	3,016,920	2,712,049
Vocational	198,224	202,773	-	-	198,224	202,773
Other	1,548,974	1,258,808	-	-	1,548,974	1,258,808
Support services:						
Pupil	1,129,434	1,016,814	-	-	1,129,434	1,016,814
Instructional staff	1,731,408	1,498,609	-	-	1,731,408	1,498,609
Board of education	75,984	41,248	-	-	75,984	41,248
Administration	1,923,886	1,687,347	-	-	1,923,886	1,687,347
Fiscal	647,974	729,475	-	-	647,974	729,475
Business	300	1,782	-	-	300	1,782
Operations and maintenance	2,570,160	2,187,246	-	-	2,570,160	2,187,246
Pupil transportation	790,718	676,791	-	-	790,718	676,791
Central	39,644	740	-	-	39,644	740
Operation of non-instructional services	566,330	431,903	-	-	566,330	431,903
Extracurricular activities	763,645	635,039	-	-	763,645	635,039
Interest and fiscal charges	575,989	505,702	-	-	575,989	505,702
Changes in net assets before transfers	-	-	-	-	-	-
Special item loss on sale of capital assets	-	-	-	-	-	-
Changes in net assets	(167,855)	216,514	58,386	(18,549)	(109,469)	197,965
Net assets at beginning of year	<u>18,410,544</u>	<u>18,194,030</u>	<u>147,909</u>	<u>166,458</u>	<u>18,558,453</u>	<u>18,360,488</u>
Net assets at end of year	<u>\$ 18,242,689</u>	<u>\$ 18,410,544</u>	<u>\$ 206,295</u>	<u>\$ 147,909</u>	<u>\$ 18,448,984</u>	<u>\$ 18,558,453</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$167,855. Total governmental expenses of \$25,608,378 were offset by program revenues of \$4,700,002, and general revenues of \$20,740,521. Program revenues supported 18.35% of the total governmental activities expenses.

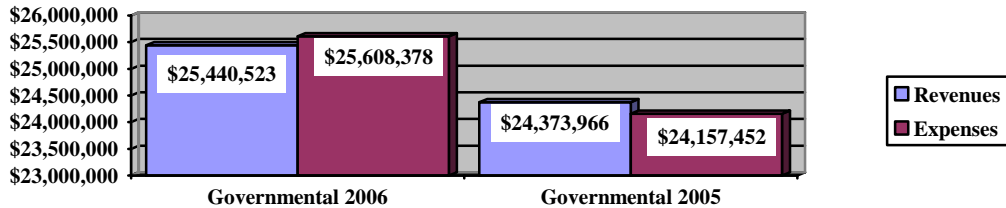
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 79.28% of total governmental revenue. Real estate property is reappraised every six years.

The graph on the following page presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

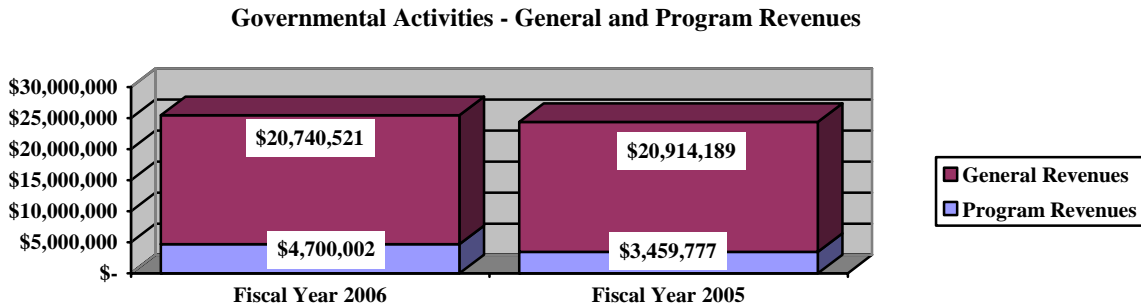
	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses:				
Instruction:				
Regular	\$ 10,028,788	\$ 8,625,089	\$ 9,442,541	\$ 8,103,782
Special	3,016,920	1,944,257	2,712,049	2,254,680
Vocational	198,224	190,912	202,773	202,773
Other	1,548,974	1,548,974	1,258,808	1,258,808
Support services:				
Pupil	1,129,434	871,060	1,016,814	912,124
Instructional staff	1,731,408	1,034,783	1,498,609	800,067
Board of Education	75,984	75,984	41,248	41,248
Administration	1,923,886	1,920,274	1,687,347	1,673,840
Fiscal	647,974	647,974	729,475	728,485
Business	300	300	1,782	1,782
Operations and maintenance	2,570,160	2,223,802	2,187,246	2,171,577
Pupil transportation	790,718	716,506	676,791	676,791
Central	39,644	39,644	740	740
Operation of non-instructional services	566,330	27,727	431,903	(107,614)
Extracurricular activities	763,645	465,101	635,039	344,305
Unallocated depreciation	-	-	1,128,585	1,128,585
Interest and fiscal charges	575,989	575,989	505,702	505,702
<b>Total expenses</b>	<b><u>\$ 25,608,378</u></b>	<b><u>\$ 20,908,376</u></b>	<b><u>\$ 24,157,452</u></b>	<b><u>\$ 20,697,675</u></b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The dependence upon tax revenues during fiscal year 2006 for governmental activities is apparent, as 83.21% of 2006 instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.



**Business-Type Activities**

Business-type activities include food service operations and uniform school supplies. These programs had revenues of \$927,526 and expenses of \$869,140 for fiscal year 2006. Business-type activities increased \$58,386 in fiscal year 2006. The District's business-type activities do not receive support from tax revenues. The activities of the enterprise funds are presented on pages 23-25.

**The District's Governmental Funds**

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$1,192,390, which is below last year's total of \$1,678,631. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase <u>(Decrease)</u>
General	\$ 422,528	\$ 318,019	\$ 104,509
Other Governmental	<u>769,862</u>	<u>1,360,612</u>	<u>(590,750)</u>
Total	<u>\$ 1,192,390</u>	<u>\$ 1,678,631</u>	<u>\$ (486,241)</u>

**General Fund**

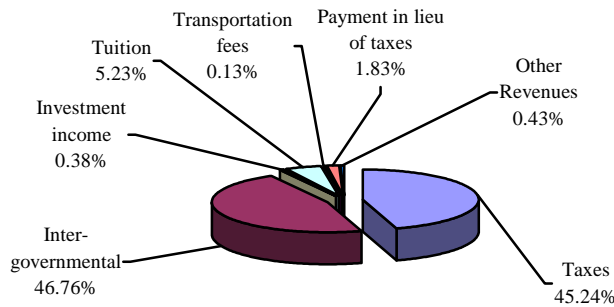
The District's general fund balance increased \$104,509 during 2006. Investment income increased due to an increase on the interest rates of the District's investments. The table and charts that follow assist in illustrating the revenues of the General Fund.

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

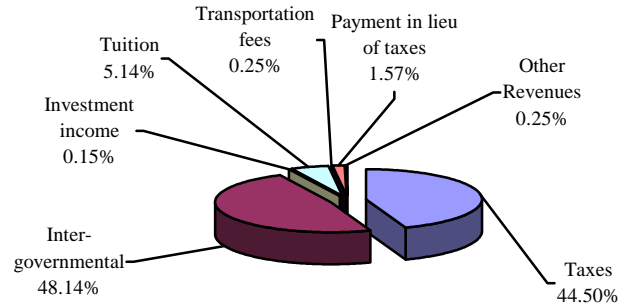
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	2006 <u>Amount</u>	2005 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,715,901	\$ 9,070,683	7.11 %
Intergovernmental	10,042,497	9,815,895	2.31 %
Investment income	81,475	29,869	172.77 %
Tuition	1,123,047	1,048,294	7.13 %
Transportation fees	27,358	49,993	(45.28) %
Payment in lieu of taxes	392,882	319,116	23.12 %
Other revenues	<u>91,456</u>	<u>50,643</u>	80.59 %
<b>Total</b>	<b><u>\$ 21,474,616</u></b>	<b><u>\$ 20,384,493</u></b>	<b>5.35 %</b>

**Revenues - Fiscal Year 2006**



**Revenues - Fiscal Year 2005**



The table and charts that follow assist in illustrating the expenditures of the general fund.

	2006 <u>Amount</u>	2005 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 13,379,025	\$ 12,552,836	6.58 %
Support services	7,247,522	6,849,344	5.81 %
Extracurricular activities	385,233	350,751	9.83 %
Capital outlay	176,357	93,271	89.08 %
Debt service	<u>124,429</u>	<u>86,819</u>	43.32 %
<b>Total</b>	<b><u>\$ 21,312,566</u></b>	<b><u>\$ 19,933,021</u></b>	<b>6.92 %</b>

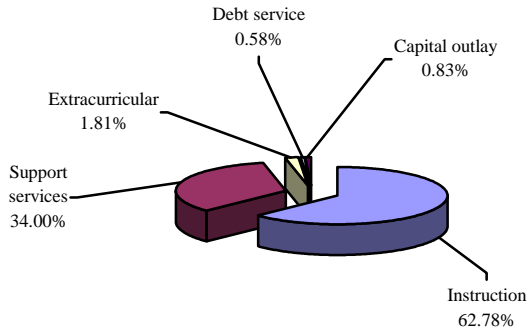
Capital outlay and debt service expenditures increases were related to the District entering into a new capital lease in 2006 for the acquisition of school buses.



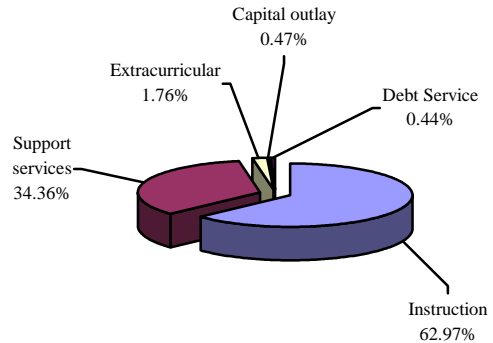
**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Expenditures - Fiscal Year 2006**



**Expenditures - Fiscal Year 2005**



***General Fund Budgeting Highlights***

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

During the course of fiscal 2006, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$22,335,521. Final budgeted revenues of \$21,971,569 were \$245,167, below actual revenues and other financing sources of \$22,216,736.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$20,080,999 and final appropriations were \$21,578,032. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$21,553,414, which was \$24,618 less than the final budget appropriations. The District spent less than anticipated on purchased services during fiscal year 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

*Capital Assets*

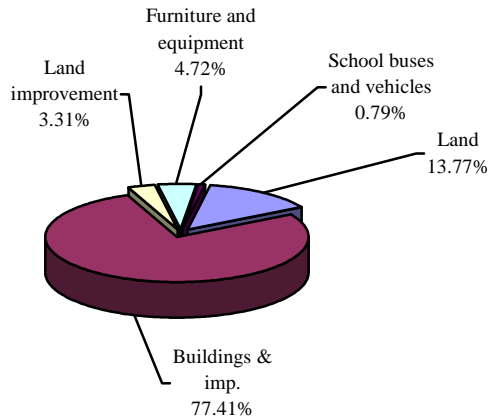
At the end of fiscal 2006, the District had \$28,847,637 invested in land, land improvements, buildings and improvements, furniture and equipment, and school buses and vehicles. The following table shows fiscal 2006 balances compared to 2005 (as restated):

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

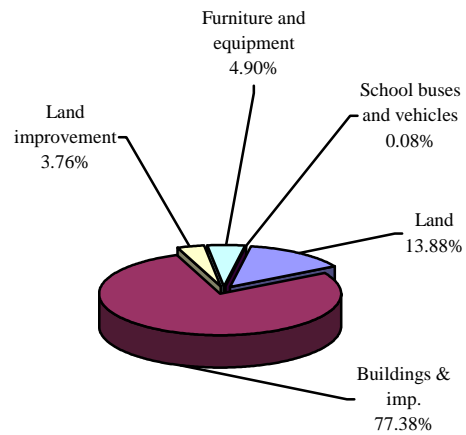
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 3,970,234	\$ 3,970,234	\$ -	\$ -	\$ 3,970,234	\$ 3,970,234
Land improvements	955,166	1,075,926	-	-	955,166	1,075,926
Buildings and improvements	22,317,416	22,132,569	-	-	22,317,416	22,132,569
Furniture and equipment	1,361,172	1,401,140	16,898	26,411	1,378,070	1,427,551
School buses and vehicles	<u>226,751</u>	<u>24,276</u>	<u>-</u>	<u>-</u>	<u>226,751</u>	<u>24,276</u>
Total	<u>\$ 28,830,739</u>	<u>\$ 28,604,145</u>	<u>\$ 16,898</u>	<u>\$ 26,411</u>	<u>\$ 28,847,637</u>	<u>\$ 28,630,556</u>

The following graphs show the breakdown of governmental activities capital assets by category for 2006 and 2005.

**Capital Assets - Governmental Activities  
2006**



**Capital Assets - Governmental Activities  
2005**



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

***Debt Administration***

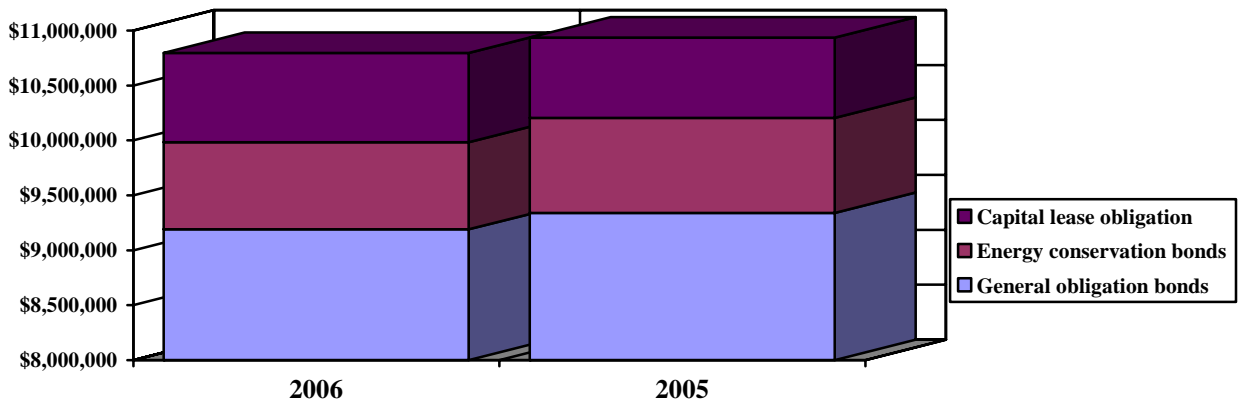
At June 30, 2006 the District had \$9,190,000 in general obligation bonds, \$792,346 in energy conservation notes and \$813,457 in capital lease obligations outstanding. Of the total outstanding debt, \$563,437 is due within one year and \$10,232,366 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Energy conservation note	\$ 792,346	\$ 864,440
School improvement GO bond	9,190,000	9,340,000
Capital lease obligation	<u>813,457</u>	<u>732,384</u>
Total	<u>\$ 10,795,803</u>	<u>\$ 10,936,824</u>

The following graphs show the breakdown of outstanding debt by category for 2006 and 2005.

**Outstanding Debt**



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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

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

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

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

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that it 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 the District. Thus, both taxes and state revenue are fixed or declining. The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Ohio law requires districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks, as well as money for budget stabilization. The budget stabilization requirement has been rescinded. The District maintained a \$222,501 budgetary stabilization reserve and \$831,457 reserve for textbooks/instructional materials.

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

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 3,721,089	\$ 226,185	\$ 3,947,274
Cash with fiscal agent. . . . .	4,438	-	4,438
Receivables:			
Taxes . . . . .	11,966,621	-	11,966,621
Accounts . . . . .	14,909	42	14,951
Intergovernmental . . . . .	90,897	40,693	131,590
Accrued interest . . . . .	90	-	90
Prepayments . . . . .	92,265	-	92,265
Materials and supplies inventory. . . . .	-	37,802	37,802
Capital assets:			
Land . . . . .	3,970,234	-	3,970,234
Depreciable capital assets, net . . . . .	24,860,505	16,898	24,877,403
Total capital assets . . . . .	28,830,739	16,898	28,847,637
 Total assets. . . . .	 44,721,048	 321,620	 45,042,668
<b>Liabilities:</b>			
Accounts payable. . . . .	44,602	1,577	46,179
Retainage payable. . . . .	47,294	-	47,294
Accrued wages and benefits . . . . .	1,735,323	44,348	1,779,671
Pension obligation payable. . . . .	496,202	32,538	528,740
Intergovernmental payable . . . . .	120,250	1,683	121,933
Unearned revenue . . . . .	11,104,181	-	11,104,181
Accrued interest payable . . . . .	21,949	-	21,949
Notes payable . . . . .	400,000	-	400,000
Long-term liabilities:			
Due within one year. . . . .	721,254	-	721,254
Due in more than one year . . . . .	11,787,304	35,179	11,822,483
 Total liabilities . . . . .	 26,478,359	 115,325	 26,593,684
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	17,634,936	16,898	17,651,834
Restricted for:			
Capital projects . . . . .	947,315	-	947,315
Classroom facilities maintenance . . . . .	2,639	-	2,639
Debt service. . . . .	384,291	-	384,291
Locally funded programs . . . . .	15,242	-	15,242
State funded programs . . . . .	151,175	-	151,175
Federally funded programs . . . . .	5,978	-	5,978
Student activities . . . . .	59,720	-	59,720
Other purposes. . . . .	1,053,958	-	1,053,958
Unrestricted (deficit). . . . .	(2,012,565)	189,397	(1,823,168)
 Total net assets . . . . .	 \$ 18,242,689	 \$ 206,295	 \$ 18,448,984

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 10,028,788	\$ 1,123,463	\$ 280,236	\$ -
Special . . . . .	3,016,920	-	1,072,663	-
Vocational . . . . .	198,224	-	7,312	-
Other . . . . .	1,548,974	-	-	-
Support services:				
Pupil . . . . .	1,129,434	134,377	123,997	-
Instructional staff . . . . .	1,731,408	-	696,625	-
Board of education. . . . .	75,984	-	-	-
Administration. . . . .	1,923,886	-	3,612	-
Fiscal. . . . .	647,974	-	-	-
Business. . . . .	300	-	-	-
Operations and maintenance . . . . .	2,570,160	25,649	-	320,709
Pupil transportation. . . . .	790,718	-	67,542	6,670
Central . . . . .	39,644	-	-	-
Operation of non-instructional services . . . . .	566,330	-	538,603	-
Extracurricular activities. . . . .	763,645	298,544	-	-
Interest and fiscal charges . . . . .	575,989	-	-	-
<b>Total governmental activities . . . . .</b>	<b>25,608,378</b>	<b>1,582,033</b>	<b>2,790,590</b>	<b>327,379</b>
<b>Business-type activities:</b>				
Food service . . . . .	780,423	369,368	455,031	-
Uniform supplies. . . . .	88,717	100,930	-	-
<b>Total business-type activities . . . . .</b>	<b>869,140</b>	<b>470,298</b>	<b>455,031</b>	<b>-</b>
<b>Totals . . . . .</b>	<b>\$ 26,477,518</b>	<b>\$ 2,052,331</b>	<b>\$ 3,245,621</b>	<b>\$ 327,379</b>

**General Revenues:**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (8,625,089)	\$ -	\$ (8,625,089)
(1,944,257)	-	(1,944,257)
(190,912)	-	(190,912)
(1,548,974)	-	(1,548,974)
(871,060)	-	(871,060)
(1,034,783)	-	(1,034,783)
(75,984)	-	(75,984)
(1,920,274)	-	(1,920,274)
(647,974)	-	(647,974)
(300)	-	(300)
(2,223,802)	-	(2,223,802)
(716,506)	-	(716,506)
(39,644)	-	(39,644)
(27,727)	-	(27,727)
(465,101)	-	(465,101)
(575,989)	-	(575,989)
(20,908,376)	-	(20,908,376)
-	43,976	43,976
-	12,213	12,213
-	56,189	56,189
(20,908,376)	56,189	(20,852,187)
9,703,602	-	9,703,602
137,275	-	137,275
687,240	-	687,240
194,442	-	194,442
392,882	-	392,882
9,447,230	-	9,447,230
83,131	2,197	85,328
94,719	-	94,719
20,740,521	2,197	20,742,718
(167,855)	58,386	(109,469)
18,410,544	147,909	18,558,453
\$ 18,242,689	\$ 206,295	\$ 18,448,984

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 981,992	\$ 1,685,139	\$ 2,667,131
Cash with fiscal agent . . . . .	-	4,438	4,438
Receivables:			
Taxes . . . . .	10,813,416	1,153,205	11,966,621
Accounts . . . . .	14,508	401	14,909
Intergovernmental . . . . .	-	90,897	90,897
Accrued interest . . . . .	90	-	90
Interfund loans . . . . .	246,328	50,838	297,166
Prepayments . . . . .	92,265	-	92,265
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	1,053,958	-	1,053,958
<b>Total assets.</b> . . . . .	<u>\$ 13,202,557</u>	<u>\$ 2,984,918</u>	<u>\$ 16,187,475</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 19,564	\$ 25,038	\$ 44,602
Retainage payable . . . . .	-	47,294	47,294
Accrued wages and benefits . . . . .	1,561,752	173,571	1,735,323
Compensated absences payable . . . . .	90,994	5,676	96,670
Severance bonus payable . . . . .	5,000	-	5,000
Pension obligation payable . . . . .	423,000	73,202	496,202
Intergovernmental payable . . . . .	111,972	8,278	120,250
Interfund loan payable . . . . .	-	297,166	297,166
Unearned revenue . . . . .	10,034,088	1,070,093	11,104,181
Deferred revenue . . . . .	533,659	111,708	645,367
Accrued interest payable . . . . .	-	3,030	3,030
Notes payable . . . . .	-	400,000	400,000
<b>Total liabilities.</b> . . . . .	<u>12,780,029</u>	<u>2,215,056</u>	<u>14,995,085</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	57,233	76,608	133,841
Reserved for textbooks . . . . .	831,457	-	831,457
Reserved for budget stabilization . . . . .	222,501	-	222,501
Reserved for debt service . . . . .	-	346,583	346,583
Reserved for property tax unavailable for appropriation . . . . .	245,669	26,200	271,869
Reserved for prepayments . . . . .	92,265	-	92,265
Unreserved, undesignated, (deficit) reported in:			
General fund . . . . .	(1,026,597)	-	(1,026,597)
Special revenue funds . . . . .	-	(228,154)	(228,154)
Capital projects funds . . . . .	-	548,625	548,625
<b>Total fund balances.</b> . . . . .	<u>422,528</u>	<u>769,862</u>	<u>1,192,390</u>
<b>Total liabilities and fund balances.</b> . . . . .	<u>\$ 13,202,557</u>	<u>\$ 2,984,918</u>	<u>\$ 16,187,475</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$ 1,192,390
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,830,739
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 590,571	
Intergovernmental revenue	<u>54,796</u>	
Total		645,367
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(9,190,000)	
Energy conservation notes	(792,346)	
Capital lease obligation	(813,457)	
Compensated absences	(1,611,085)	
Accrued interest payable	<u>(18,919)</u>	
Total		<u>(12,425,807)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 18,242,689</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 9,715,901	\$ 1,024,377	\$ 10,740,278
Tuition . . . . .	1,123,047	-	1,123,047
Transportation fees . . . . .	27,358	-	27,358
Earnings on investments . . . . .	81,475	1,656	83,131
Extracurricular . . . . .	685	308,021	308,706
Classroom materials and fees . . . . .	416	-	416
Payments in lieu of taxes . . . . .	392,882	-	392,882
Other local revenues . . . . .	90,355	447,579	537,934
Intergovernmental - Intermediate . . . . .	-	47,953	47,953
Intergovernmental - State . . . . .	10,042,497	770,480	10,812,977
Intergovernmental - Federal . . . . .	-	1,466,526	1,466,526
Total revenue . . . . .	<u>21,474,616</u>	<u>4,066,592</u>	<u>25,541,208</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	9,496,893	205,524	9,702,417
Special . . . . .	2,214,980	612,413	2,827,393
Vocational . . . . .	189,143	-	189,143
Other . . . . .	1,478,009	-	1,478,009
Support Services:			
Pupil . . . . .	810,807	263,290	1,074,097
Instructional staff . . . . .	910,748	721,073	1,631,821
Board of Education . . . . .	75,984	-	75,984
Administration . . . . .	1,799,799	3,432	1,803,231
Fiscal . . . . .	593,449	24,414	617,863
Business . . . . .	300	-	300
Operations and maintenance . . . . .	2,325,143	674,899	3,000,042
Pupil transportation . . . . .	730,392	40,964	771,356
Central . . . . .	900	-	900
Operation of non-instructional services . . . . .	-	534,036	534,036
Extracurricular activities . . . . .	385,233	341,393	726,626
Capital outlay . . . . .	176,357	-	176,357
Facilities acquisition and construction . . . . .	-	461,742	461,742
Debt service:			
Principal retirement . . . . .	87,160	230,218	317,378
Interest and fiscal charges . . . . .	37,269	777,842	815,111
Total expenditures . . . . .	<u>21,312,566</u>	<u>4,891,240</u>	<u>26,203,806</u>
Excess of revenues over (under) expenditures . . . . .	<u>162,050</u>	<u>(824,648)</u>	<u>(662,598)</u>
<b>Other financing sources (uses):</b>			
Capital lease transaction . . . . .	176,357	-	176,357
Transfers in . . . . .	-	353,898	353,898
Transfers (out) . . . . .	(233,898)	(120,000)	(353,898)
Total other financing sources (uses) . . . . .	<u>(57,541)</u>	<u>233,898</u>	<u>176,357</u>
Net change in fund balances . . . . .	104,509	(590,750)	(486,241)
<b>Fund balances at beginning of year . . . . .</b>	<u>318,019</u>	<u>1,360,612</u>	<u>1,678,631</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 422,528</u>	<u>\$ 769,862</u>	<u>\$ 1,192,390</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Net change in fund balances - total governmental funds** \$ (486,241)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 1,425,765	
Current year depreciation	<u>(1,199,171)</u>	
Total		226,594

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

Delinquent property taxes	(17,719)	
Intergovernmental	<u>(82,966)</u>	
Total		(100,685)

Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 317,378

Capital lease transactions are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (176,357)

In the statement of activities, interest is accrued on outstanding bonds and notes whereas in governmental funds, interest expenditure is reported when due. 239,122

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (187,666)

**Change in net assets of governmental activities** \$ (167,855)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 10,278,789	\$ 10,111,299	\$ 10,224,125	\$ 112,826
Tuition . . . . .	1,115,646	1,097,467	1,109,713	12,246
Transportation fees . . . . .	33,549	33,002	33,370	368
Earnings on investments . . . . .	79,029	77,741	78,608	867
Extracurricular . . . . .	688	677	685	8
Classroom materials and fees . . . . .	478	470	475	5
Payments in lieu of taxes . . . . .	392,882	392,882	392,882	-
Other local revenues . . . . .	88,585	80,740	86,025	5,285
Intergovernmental - State . . . . .	10,096,191	9,931,676	10,042,497	110,821
Total revenue . . . . .	<u>22,085,837</u>	<u>21,725,954</u>	<u>21,968,380</u>	<u>242,426</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,895,425	9,442,535	9,409,496	33,039
Special . . . . .	2,086,737	2,242,611	2,234,861	7,750
Vocational . . . . .	172,990	185,912	185,269	643
Other . . . . .	1,375,069	1,477,783	1,472,676	5,107
Support Services:				
Pupil . . . . .	735,631	790,581	787,849	2,732
Instructional staff . . . . .	813,569	874,341	921,317	(46,976)
Board of Education . . . . .	63,324	68,054	67,819	235
Administration . . . . .	1,657,787	1,781,620	1,775,463	6,157
Fiscal . . . . .	553,556	594,905	592,849	2,056
Business . . . . .	747	803	800	3
Operations and maintenance . . . . .	2,137,953	2,297,653	2,289,712	7,941
Pupil transportation . . . . .	680,843	731,700	729,171	2,529
Central . . . . .	840	903	900	3
Extracurricular activities . . . . .	340,396	365,823	364,559	1,264
Facilities acquisition and construction . . . . .	87,820	94,380	94,054	326
Total expenditures . . . . .	<u>19,602,687</u>	<u>20,949,604</u>	<u>20,926,795</u>	<u>22,809</u>
Excess of revenues over expenditures . . . . .	<u>2,483,150</u>	<u>776,350</u>	<u>1,041,585</u>	<u>265,235</u>
<b>Other financing sources (uses):</b>				
Sale of assets . . . . .	3,173	3,121	3,156	35
Transfers (out) . . . . .	(204,992)	(234,692)	(233,898)	794
Advances in . . . . .	246,511	242,494	245,200	2,706
Advances (out) . . . . .	(273,320)	(393,736)	(392,721)	1,015
Total other financing sources (uses) . . . . .	<u>(228,628)</u>	<u>(382,813)</u>	<u>(378,263)</u>	<u>4,550</u>
Net change in fund balance . . . . .	2,254,522	393,537	663,322	269,785
<b>Fund balance at beginning of year . . . . .</b>	<b>1,229,532</b>	<b>1,229,532</b>	<b>1,229,532</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>80,999</b>	<b>80,999</b>	<b>80,999</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,565,053</u></b>	<b><u>\$ 1,704,068</u></b>	<b><u>\$ 1,973,853</u></b>	<b><u>\$ 269,785</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

		<b>Business - Type Activities</b>
		<b>Enterprise Funds</b>
<b>Assets:</b>		
Current:		
Equity in pooled cash and cash equivalents . . . . .	\$	226,185
Receivables:		
Accounts . . . . .		42
Intergovernmental . . . . .		40,693
Materials and supplies inventory. . . . .		37,802
		<hr/>
Total current assets. . . . .		304,722
		<hr/>
Noncurrent:		
Capital assets:		
Depreciable capital assets, net . . . . .		16,898
		<hr/>
Total assets . . . . .		321,620
		<hr/>
<b>Liabilities:</b>		
Current:		
Accounts payable. . . . .		1,577
Accrued wages and benefits . . . . .		44,348
Pension obligation payable. . . . .		32,538
Intergovernmental payable . . . . .		1,683
		<hr/>
Total current liabilities . . . . .		80,146
		<hr/>
Long-term liabilities:		
Compensated absences payable. . . . .		35,179
		<hr/>
Total liabilities . . . . .		115,325
		<hr/>
<b>Net assets:</b>		
Invested in capital assets, net of related debt. . . . .		16,898
Unrestricted. . . . .		189,397
		<hr/>
Total net assets . . . . .	\$	206,295
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Business - Type Activities</b>
	<b>Enterprise Funds</b>
<b>Operating revenues:</b>	
Sales/charges for services. . . . .	\$ 369,368
Classroom fees. . . . .	100,930
	470,298
<b>Operating expenses:</b>	
Personal services. . . . .	432,937
Purchased services. . . . .	9,326
Materials and supplies . . . . .	273,010
Depreciation. . . . .	9,513
Cost of sales . . . . .	144,354
	869,140
Total operating revenues . . . . .	470,298
Total operating expenses. . . . .	869,140
Operating loss . . . . .	(398,842)
<b>Nonoperating revenue:</b>	
Interest. . . . .	2,197
Federal donated commodities. . . . .	124,655
Intergovernmental. . . . .	330,376
	457,228
Total nonoperating revenues. . . . .	457,228
Change in net assets . . . . .	58,386
<b>Net assets at beginning of year. . . . .</b>	<b>147,909</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 206,295</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Business - Type Activities</b>
	<b>Enterprise Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services. . . . .	\$ 369,326
Cash received from classroom fees. . . . .	100,930
Cash payments for personal services. . . . .	(407,692)
Cash payments for contractual services . . . . .	(9,382)
Cash payments for materials and supplies . . . . .	(309,235)
Net cash used in operating activities . . . . .	(256,053)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants. . . . .	324,215
Net cash provided by noncapital financing activities. . . . .	324,215
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	2,197
Net cash provided by investing activities . . . . .	2,197
Net increase in cash and cash equivalents . . . . .	70,359
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>155,826</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 226,185</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (398,842)
Adjustments:	
Depreciation . . . . .	9,513
Federal donated commodities. . . . .	124,655
Changes in assets and liabilities:	
Increase in accounts receivable. . . . .	(42)
Decrease in materials and supplies. . . . .	7,425
Increase in accounts payable. . . . .	1,521
Increase in accrued wages and benefits . . . . .	5,668
Decrease in intergovernmental payable. . . . .	(16,555)
Increase in compensated absences payable . . . . .	3,594
Increase in pension obligation payable . . . . .	7,010
Net cash used in operating activities . . . . .	\$ (256,053)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<b>Private-Purpose Trust</b>	
	<b>Scholarships</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 22,795	\$ 76,204
Receivables:		
Accounts. . . . .	-	50
	22,795	76,254
Total assets . . . . .	22,795	\$ 76,254
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 113
Due to students. . . . .	-	76,141
	-	76,254
Total liabilities . . . . .	-	\$ 76,254
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	22,795	
Total net assets. . . . .	\$ 22,795	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Private-Purpose Trust</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest . . . . .	\$ 4,141
Total additions . . . . .	4,141
<b>Deductions:</b>	
Scholarships awarded . . . . .	200
Change in net assets . . . . .	3,941
<b>Net assets at beginning of year. . . . .</b>	<b>18,854</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 22,795</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Tiffin City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) was 2,896. The District employed 217 certificated employees and 153 non-certificated employees. The District ranks as the 159<sup>th</sup> largest by enrollment among the 615 public school districts in the State.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

*COMPONENT UNIT*

Tiffin City Digital Academy

The Tiffin City Digital Academy (the "Digital Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Digital Academy is a new conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The Digital Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Digital Academy Board of Directors may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Digital Academy. Due to the financial activity of the Digital Academy in relation to the Tiffin City School District being immaterial, the financial statements have not been presented, but will be reflected as a component unit in fiscal year 2007.

*JOINTLY GOVERNED ORGANIZATION*

Northern Ohio Educational Computer Association (NOECA)

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

*INSURANCE PURCHASING POOLS*

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

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts – Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 13.B for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 13.C. for further information on this group rating plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUNDS*

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

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

The District's nonmajor enterprise funds include:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2006 are recorded as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

**E. Budgets**

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

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

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

**F. Cash and Investments**

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

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

During fiscal year 2006, investments were limited to repurchase agreements and shares of common stock. Except for nonparticipating investment contracts investments are reported at fair value which is based on quoted market prices. Investment contracts, such as repurchase agreements, are reported at cost.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with a gift of stock to its private-purpose trust fund. No public funds were used to acquire the stock. At the time the common stock was endowed to the District its value was \$1,383. Due to changes in fair value, at June 30, 2006, the common stock has increased in value by \$2,670.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$81,475 which includes \$44,007 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

**H. Capital Assets**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The District had no internal balances at June 30, 2006.

**J. Compensated Absences**

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under GAAP 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.

**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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

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

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**O. Estimates**

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

**P. Restricted Assets**

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

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and uniform school supplies. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

**R. Interfund Activity**

Transfers between governmental and business-type activities on the government-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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**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 year 2006.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Classroom Facilities Maintenance	\$ 4,885
EMIS	68
Disadvantaged Pupil Impact Aid	28
Alternative Schools	13,041
Miscellaneous State Grants	3,239
Title VI-B	116,527
Title I	168,718
Title V	3,124
Classroom Reduction	46,968
Miscellaneous Federal Grants	59,942
Federal Emergency Repair	4,260
Building	382,818

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the Classroom Facilities Maintenance, EMIS, Disadvantaged Pupil Impact Aid and Miscellaneous State Grants funds resulted from adjustments for accrued liabilities.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

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

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

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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



**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Cash on Hand**

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

**B. Cash with Fiscal Agent**

At fiscal year-end, the District had \$4,438 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the financial statements as "Cash with Fiscal Agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 40.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$76,720, exclusive of the \$3,964,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$181,838 of the District's bank balance of \$292,799 was exposed to custodial risk as discussed below, while \$110,961 was covered by the Federal Deposit Insurance Corporation.

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

**D. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 3,964,000	\$ 3,964,000
Stock	4,053	4,053
	<u>\$ 3,968,053</u>	<u>\$ 3,968,053</u>

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

*Credit Risk:* The District's investment in stock were rated BB+ and Baa2 by Standard & Poor's and Moody's Investor Services, respectively.

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

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 3,964,000	99.90
Stock	4,053	0.10
	<u>\$ 3,968,053</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per note</u>	
Carrying amount of deposits	\$ 76,720
Investments	3,968,053
Cash with fiscal agent	4,438
Cash on hand	1,500
Total	<u>\$ 4,050,711</u>

<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,725,527
Business type activities	226,185
Private-purpose trust funds	22,795
Agency funds	76,204
Total	<u>\$ 4,050,711</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable for the year ended June 30, 2006 as reported on the fund statements, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 246,328
Nonmajor governmental funds	Nonmajor governmental funds	50,838

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

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

**TIFFIN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:

General Fund	\$ 233,898
Nonmajor Governmental Fund	120,000

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

The \$120,000 transfer from the Debt Service fund (a nonmajor governmental fund) to the Permanent Improvement fund (a nonmajor governmental fund) was required to report the retirement of notes payable which, for GAAP purposes, are reported as a fund liability of the permanent improvement fund.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-three percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**TIFFIN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property taxes received in calendar year 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available as an advance at June 30, 2006 was \$245,669 in the general fund, \$17,851 in the Debt Service fund (a nonmajor governmental fund), \$4,885 in the Permanent Improvement fund (a nonmajor governmental fund) and \$3,464 in the Middle School Maintenance fund (a nonmajor governmental fund). The amount available for advance at June 30, 2005 was \$753,893 in the general fund, \$56,820 in the Debt Service fund (a nonmajor governmental fund), \$17,133 in the Permanent Improvement fund (a nonmajor governmental fund) and \$12,118 in the Middle School Maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Public Utility	\$ 278,103,050	83.39%	\$ 315,949,190	86.71%
Tangible Personal Property	<u>55,401,203</u>	<u>16.61%</u>	<u>48,440,424</u>	<u>13.29%</u>
Total	<u>\$ 333,504,253</u>	<u>100.00%</u>	<u>\$ 364,389,614</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.15		\$50.15	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities**

Taxes	\$ 11,966,621
Accounts	14,909
Accrued interest	90
Intergovernmental	<u>90,897</u>
Total governmental activities	<u>\$ 12,072,517</u>

**Business-Type Activities**

Accounts	\$ 42
Intergovernmental	<u>40,693</u>
Total business-type activities	<u>\$ 40,735</u>

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

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	(Restated) Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2006</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,970,234	\$ -	\$ -	\$ 3,970,234
Total capital assets, not being depreciated	<u>3,970,234</u>	<u>-</u>	<u>-</u>	<u>3,970,234</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,958,814	14,200	-	1,973,014
Building and improvements	23,980,518	816,142	-	24,796,660
Furniture and equipment	6,100,675	371,570	-	6,472,245
School buses and vehicles	<u>1,507,743</u>	<u>223,853</u>	<u>-</u>	<u>1,731,596</u>
Total capital assets, being depreciated	<u>33,547,750</u>	<u>1,425,765</u>	<u>-</u>	<u>34,973,515</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(882,888)	(134,960)	-	(1,017,848)
Building and improvements	(1,847,949)	(631,295)	-	(2,479,244)
Furniture and equipment	(4,699,535)	(411,538)	-	(5,111,073)
School buses and vehicles	<u>(1,483,467)</u>	<u>(21,378)</u>	<u>-</u>	<u>(1,504,845)</u>
Total accumulated depreciation	<u>(8,913,839)</u>	<u>(1,199,171)</u>	<u>-</u>	<u>(10,113,010)</u>
Total capital assets, being depreciated, net	<u>24,633,911</u>	<u>226,594</u>	<u>-</u>	<u>24,860,505</u>
Governmental activities capital assets, net	<u>\$ 28,604,145</u>	<u>\$ 226,594</u>	<u>\$ -</u>	<u>\$ 28,830,739</u>
<b>Business-Type Activities:</b>				
<i>Capital assets, being depreciated:</i>				
Furniture/equipment	\$ 383,512	\$ -	\$ -	\$ 383,512
Less: accumulated depreciation	<u>(357,101)</u>	<u>(9,513)</u>	<u>-</u>	<u>(366,614)</u>
Business-type activities capital assets, net	<u>\$ 26,411</u>	<u>\$ (9,513)</u>	<u>\$ -</u>	<u>\$ 16,898</u>

Capital assets for building and improvements cost and building and improvements accumulated depreciation are being restated due to three buildings that were fully depreciated and were disposed of by the District prior to June 30, 2001, but not removed from the District's balances. There was no effect on fund balances or net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 465,896
Special	135,881
Vocational	9,081
Other	70,965
Support Services:	
Pupil	51,615
Instructional staff	82,101
Administration	87,597
Fiscal	29,835
Operations and maintenance of plant	143,776
Pupil transportation	21,378
Central	38,744
Noninstructional Services	26,024
Extracurricular	<u>36,278</u>
Total Depreciation expense	<u>\$ 1,199,171</u>

Depreciation expense of \$9,513 for the business-type activities was charged to the Food Service nonmajor enterprise fund.

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

These terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of school buses, boilers and windows have been capitalized in the amount of \$908,741. These amounts represent the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2006 fiscal year totaled \$95,284 and \$37,269, respectively. These amounts are reported as debt service payments of the general fund and Permanent Improvement fund (a nonmajor governmental fund).



**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2006:

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 118,083
2008	125,318
2009	125,318
2010	125,318
2011	86,819
2012 - 2016	434,095
2017	<u>14,469</u>
Total minimum lease payment	1,029,420
Less: amount representing interest	<u>(215,963)</u>
Present value of minimum lease payments	<u>\$ 813,457</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental Activities</b>					
Citicorp-Energy Conservation Note, 5.25%; Matures 7/15/2014	\$ 864,440	\$ -	\$ (72,094)	\$ 792,346	\$ 75,971
School Improvement General Obligation Bonds 2.90% to Matures 12/01/2023	9,340,000	-	(150,000)	9,190,000	175,000
Compensated Absences	1,418,419	350,286	(60,950)	1,707,755	152,817
Severance Bonus Payable	5,000	5,000	(5,000)	5,000	5,000
Capital Lease	<u>732,384</u>	<u>176,357</u>	<u>(95,284)</u>	<u>813,457</u>	<u>312,466</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 12,360,243</u>	<u>\$ 531,643</u>	<u>\$ (383,328)</u>	<u>\$ 12,508,558</u>	<u>\$ 721,254</u>
<b>Business-Type Activities</b>					
Compensated Absences Payable	<u>\$ 31,585</u>	<u>\$ 3,594</u>	<u>\$ -</u>	<u>\$ 35,179</u>	<u>\$ -</u>

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The school improvement general obligation bonds were issued to provide the resources for school improvement projects undertaken by the District. These bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Principal and interest related to these bonds are made from the Debt Service fund.

The energy conservation notes were issued to provide resources for energy improvements made to various District buildings. Principal and interest related to these notes are made from the Debt Service fund.

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

Capital leases are described in Note 9.

- B.** The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds and energy conservation note:

Fiscal Year Ending June 30.	School Improvement General Obligation Bonds			Energy Conservation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 175,000	\$ 468,630	\$ 643,630	\$ 75,971	\$ 40,614	\$ 116,585
2008	355,000	461,805	816,805	80,057	36,573	116,630
2009	370,000	447,427	817,427	84,362	32,314	116,676
2010	385,000	432,073	817,073	88,898	27,826	116,724
2011	400,000	415,710	815,710	93,681	23,097	116,778
2012 - 2016	2,285,000	1,786,053	4,071,053	369,377	39,799	409,176
2017 - 2021	3,010,000	1,062,758	4,072,758	-	-	-
2022 - 2024	2,210,000	232,654	2,442,654	-	-	-
Total	<u>\$ 9,190,000</u>	<u>\$ 5,307,110</u>	<u>\$ 14,497,110</u>	<u>\$ 792,346</u>	<u>\$ 200,223</u>	<u>\$ 992,569</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2006, are a voted debt margin of \$20,960,358 (including available funds of \$364,434) and an unvoted debt margin of \$335,399.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 11 - NOTE PAYABLE**

The District issued a \$400,000 site-acquisition tax anticipation note on May 4, 2006. The note bears an interest rate of 4.85% and matures on May 4, 2007. The note is recorded as a fund liability of the building fund (a nonmajor governmental fund). The District retired a \$520,000 site-acquisition tax anticipation note that was issued on May 7, 2005 and matured on May 7, 2006. The following is a summary of the note payable activity for 2006:

	Balance 12/31/05	Issued	Retired	Balance 12/31/06
Site-acquisition note - 4.50%	\$ 520,000	\$ -	\$ (520,000)	\$ -
Site-acquisition note - 4.85%	-	400,000	-	400,000
<b>Total</b>	<b>\$ 520,000</b>	<b>\$ 400,000</b>	<b>\$ (520,000)</b>	<b>\$ 400,000</b>

**NOTE 12 - COMPENSATED ABSENCES**

**A. Vacation**

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

**B. Sick Leave**

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

Certified employees that retire during the first year of State Teacher Retirement System (STRS) eligibility will receive a \$5,000 retirement stipend, paid in January of the year following retirement. In addition, the employee receives an additional 5% of the value of accumulated but unused sick days. The liability for the retirement stipend has been recorded as "Severance Bonus Payable" and the liability for the additional five percent of accumulated but unused sick leave is recorded as a component of "Compensated Absences Payable".

**C. Service Retirement**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Liability**

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

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 2,000,000	General Aggregate	
	\$ 2,000,000	Products/Completed Ops. Aggregate	
	\$ 1,000,000	Personal & Advertising Injury	
	\$ 1,000,000	Each Occurrence	
	\$ 300,000	Fire Damage	
	\$ 5,000	Medical Expense	
Vehicle Policy	\$ 1,000,000	Bodily Injury	\$ 250
	\$ 1,000,000	Proprty Damage	
	\$ 10,000	Medical Payments	
	\$ 1,000,000	Uninsured Motorist	
Building and Contents	\$ 41,505,618		\$ 2,500
Blanket Business Personal Property	\$ 4,937,725		\$ 2,500
Worker Compensation	\$ 1,000,000	Employer's Liability - Each Accident	
	\$ 1,000,000	Disease - Policy Limit	
	\$ 1,000,000	Each employee	
Data Processing Equipment	\$ 1,000,000		\$500/100
Blanket Bond	\$ 10,000	Per Individual	
Crime	\$ 3,000		No deductible
Robbery & Safe Burglary	\$ 5,000		No deductible

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

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 13 - RISK MANAGEMENT - (Continued)**

**B. Health Insurance**

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

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 2.A). The Group Rating Program's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the Ohio School Boards Association, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Group Rating Program to cover the costs of administering the program.

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

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 14 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 11.70 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$358,466 , \$346,220, and \$438,252, respectively; 48.20% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$185,669 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,412,812, \$1,509,965, and \$1,441,032, respectively; 83.67% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$230,735 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability. Contributions to the DC and Combined Plans for fiscal 2006 were \$14,983 made by the District and \$19,675 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$108,678 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

**TIFFIN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 2.30 percent of covered payroll, a decrease of 1.13 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the District paid \$127,480 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	<u>General Fund</u>
Budget basis	\$ 663,322
Net adjustment for revenue accruals	(493,764)
Net adjustment for expenditure accruals	(447,868)
Net adjustment for other sources/uses	320,722
Adjustment for encumbrances	<u>62,097</u>
GAAP basis	<u>\$ 104,509</u>

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 18 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set-aside certain BWC refunds whose use is restricted for budget stabilization by State statute.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 18 - STATUTORY RESERVES - (Continued)**

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserve</u>
Set-aside cash balance as of June 30, 2005	\$ 505,103	\$ -	\$ 222,501
Current year set-aside requirement	408,865	408,865	-
Qualifying disbursements	<u>(82,511)</u>	<u>(613,869)</u>	<u>-</u>
Total	<u>\$ 831,457</u>	<u>\$ (205,004)</u>	<u>\$ 222,501</u>
Cash balance carried forward to fiscal year 2007	<u>\$ 831,457</u>	<u>\$ -</u>	<u>\$ 222,501</u>

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

A schedule of the restricted assets at June 30, 2006 follows:

	<u>Amount</u>
Amount restricted for budget stabilization	\$ 222,501
Amount restricted for textbooks/instructional materials	<u>831,457</u>
Total	<u>\$ 1,053,958</u>

**NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS**

On May 4, 2007, the District issued a \$350,000 site-acquisition tax anticipation note. The proceeds of this note and property tax revenue were used to retire the \$400,000 site-acquisition tax anticipation note that was issued on May 4, 2006.

On April 17, 2007, the District issued \$6,200,000 in general obligation refunding bonds to refund the callable portion of the school improvement general obligation bonds.

## **SUPPLEMENTAL DATA**

**TIFFIN CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
(A) Food Donation	10.550	N/A	\$ -	\$ 124,655	\$ -	\$ 124,655
Total Food Donation			-	124,655	-	124,655
Nutrition Cluster						
(B), (E) School Breakfast Program	10.553	044891-05PU-2005	1,685	-	1,685	-
(B), (E) School Breakfast Program	10.553	044891-05PU-2006	16,308	-	16,308	-
Total School Breakfast Program			17,993	-	17,993	-
(B), (E) National School Lunch Program	10.555	044891-LLP4-2005	75,448	-	75,448	-
(B), (E) National School Lunch Program	10.555	044891-LLP4-2006	219,407	-	219,407	-
Total National School Lunch Program			294,855	-	294,855	-
Total Nutrition Cluster			312,848	-	312,848	-
Total U.S. Department of Agriculture			312,848	124,655	312,848	124,655
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agencies	84.010	044891-C1S1-2005	1,008		1,008	
Title I Grants to Local Educational Agencies	84.010	044891-C1S1-2006	406,101		452,969	
Total Title I Grants to Local Educational Agencies			407,109		453,977	
Special Education Grants to States	84.027	044891-6BSF-2005	50,547		76,722	
Special Education Grants to States	84.027	044891-6BSF-2006	746,358		709,702	
Total Special Education Grants to States			796,905		786,424	
(D) Safe and Drug-Free Schools and Communities State Grants	84.186	044891-DRS1-2005	(772)		772	
Safe and Drug-Free Schools and Communities State Grants	84.186	044891-DRS1-2006	12,414		8,242	
Total Safe and Drug-Free Schools and Communities State Grants			11,642		9,014	
State Grants for Innovative Programs	84.298	044891-C2S1-2005	2,664		2,664	
State Grants for Innovative Programs	84.298	044891-C2S1-2006	4,635		4,028	
Total State Grants for Innovative Programs			7,299		6,692	
Education Technology State Grants	84.318	044891-TJS1-2005	4,802		4,990	
Education Technology State Grants	84.318	044891-TJS1-2006	4,293		2,684	
Total Education Technology State Grants			9,185		7,674	
English Language Acquisition Grants	84.365	044891-T3S1-2006	146		-	
Total English Language Acquisition Grants			146		-	
Improving Teacher Quality State Grants	84.367	044891-TRS1-2005	25,875		25,875	
Improving Teacher Quality State Grants	84.367	044891-TRS1-2006	49,681		82,497	
Total Improving Teacher Quality State Grants			75,556		108,372	
Total U.S. Department of Education			1,307,842		1,372,153	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE SENECA COUNTY DEPARTMENT OF JOB AND FAMILY SERVICES</b>						
Temporary Assistance to Needy Families	93.558	L469/M081	71,762		139,218	
Total U.S. Department of Health and Human Services			71,762		139,218	
Total Federal Financial Assistance			\$ 1,692,452	\$ 124,655	\$ 1,824,219	\$ 124,655

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



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

We have audited the financial statements of the governmental activities, the business-type activities its major fund, and the aggregate remaining fund information of the Tiffin City School District, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Tiffin City School District's basic financial statements, and have issued our report thereon dated September 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tiffin City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted two matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Tiffin City School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 2006-TCSD-001 and 2006-TCSD-002.

Board of Education  
Tiffin City School District

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that neither of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Tiffin City School District in a separate letter dated September 11, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tiffin City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain other matters that we reported to management of the Tiffin City School District, in a separate letter dated September 11, 2007.

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



Julian & Grube, Inc.  
September 11, 2007



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

Compliance

We have audited the compliance of the Tiffin City School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. The Tiffin City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tiffin City School District's management. Our responsibility is to express an opinion on the Tiffin City School 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tiffin City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tiffin City School District's compliance with those requirements.

Board of Education  
Tiffin City School District

In our opinion, the Tiffin City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of the Tiffin City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tiffin City School District's internal control over compliance with requirements that could have a direct and material effect on its major federal programs 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to its major federal programs 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. However, we noted a certain matter involving the internal control over compliance, which we have reported to the management of Tiffin City School District in a separate letter dated September 11, 2007.

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



Julian & Grube, Inc.  
September 11, 2007



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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Title 1 CFDA #84.010; Improving Teacher Quality State Grants CFDA #84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Program	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-TCSD-001

**Reportable Condition**

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

The District obtained a valuation of capital assets at June 30, 2001. Since June 30, 2001, additions and disposals are recorded from detailed disbursements ledgers. This lack of internal control enabled three school buildings, while fully depreciated, to be included in their capital assets. The amounts have been restated.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-TCSD-001 - ( Continued)

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

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

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

*Client’s Response:* The District’s Business Manager has begun the process to individually identify and take a physical inventory of capital assets. The Business Manager is also reviewing and revising the District’s controls over capital assets and their valuation and accountability.

Finding Number	2006-TCSD-002
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**Reportable Condition**

The District lacks controls over timely and accurate financial reports. The District consults with a firm to prepare its financial statements; however, the final documentation to complete that process was not received until the end of August, 2007, eight months beyond the deadline for filing the financial report with the Auditor of State’s Office and five months after the required deadline for the Federal Clearinghouse. The Auditor of State’s Office did obtain an extension of time to file with the clearinghouse on behalf of the District.

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

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

*Client’s Response:* The Treasurer is aware of the requirements and is making an effort to be more timely for 2007.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2005-TCSD-01	Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing authority shall make any expenditure unless it has been appropriated.	No	Finding now located in Management Letter.





Mary Taylor, CPA  
Auditor of State

TIFFIN CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 20, 2007