

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012***

**SHARON PERRY, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Tiffin City School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 to June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 10, 2013

**This page intentionally left blank.**

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS**

Independent Accountants' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	19
Statement of Fiduciary Net Assets - Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	21
Notes to the Basic Financial Statements.....	22 - 52
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	53
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	54 - 55
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i> .....	56 - 57
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	58 - 59

**This page intentionally left blank.**



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

*Serving Ohio Local Governments*

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

### Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2012, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, its major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the 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 November 29, 2012 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report  
Tiffin City School District  
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Tiffin City School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is 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. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
November 29, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The management's discussion and analysis of Tiffin City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities increased \$1,082,272 which represents a 6.82% increase from 2011.
- General revenues accounted for \$20,745,958 in revenue or 77.64% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,973,801 or 22.36% of total revenues of \$26,719,759.
- The District had \$25,637,487 in expenses related to governmental activities; only \$5,973,801 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,745,958 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$21,381,600 in revenues and other financing sources and \$21,525,094 in expenditures. During fiscal 2012, the general fund's fund balance decreased \$143,494 from a balance of \$4,271,549 to \$4,128,055.

**Using the 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.

**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 2012?" The statement of net assets and the statement of activities answer this question. These statements include all 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net assets and statement of activities can be found on pages 13 -14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund 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. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and 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 than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. 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 22-52 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**The District as a Whole**

The table below provides a summary of the District's net assets for fiscal years ending June 30, 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<b><u>Assets:</u></b>		
Current and other assets	\$ 17,573,747	\$ 17,276,465
Capital assets, net	<u>16,969,285</u>	<u>17,358,968</u>
Total assets	<u>34,543,032</u>	<u>34,635,433</u>
<b><u>Liabilities:</u></b>		
Current liabilities	8,975,094	9,160,886
Long-term liabilities	<u>8,624,081</u>	<u>9,612,962</u>
Total liabilities	<u>17,599,175</u>	<u>18,773,848</u>
<b><u>Net assets:</u></b>		
Invested in capital assets, net of related debt	10,130,005	9,476,749
Restricted	2,787,096	3,053,619
Unrestricted	<u>4,026,756</u>	<u>3,331,217</u>
Total net assets	<u>\$ 16,943,857</u>	<u>\$ 15,861,585</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$16,943,857.

At year-end, capital assets represented 49.13% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and school buses and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$10,130,005. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

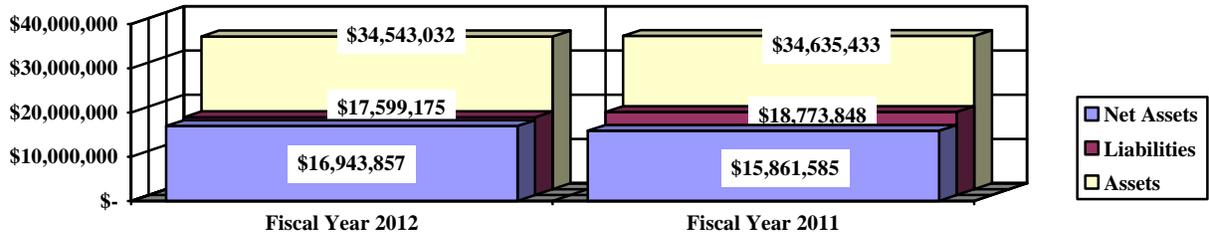
A portion of the District's net assets, \$2,787,096, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,026,756 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The table below provides a summary of the District's assets, liabilities and net assets for fiscal year 2012 and 2011.

**Governmental - Net Assets**



The table below shows the changes in net assets for fiscal years 2012 and 2011.

**Change in Net Assets**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 2,152,335	\$ 2,288,783
Operating grants and contributions	3,721,181	5,133,235
Capital grants and contributions	100,285	11,947
General revenues:		
Property taxes	10,016,254	12,324,677
Payment in lieu of taxes	44,966	41,322
Grants and entitlements	10,526,314	10,631,992
Gain on sale of assets	100,000	351,842
Investment earnings	2,950	7,819
Other	55,474	40,497
Total revenues	<u>26,719,759</u>	<u>30,832,114</u>

The decrease in operating grants and contributions is due to a decrease in federal grant revenue from the funds education jobs, IDEA Part B and education stabilization. Tax revenue decreased 18.73% from fiscal year 2011 due to amount of taxes available to the District as an advance at year end. The amount of tax advances available from the county auditor can vary depending on when tax bills are mailed.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Change in Net Assets (Continued)**

	Governmental Activities 2012	Governmental Activities 2011
<b><u>Expenses:</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 11,486,058	\$ 11,359,716
Special	3,739,090	4,823,230
Vocational	137,409	243,347
Other	25,585	80,034
Support services:		
Pupil	1,311,960	1,246,136
Instructional staff	1,246,466	1,689,704
Board of education	27,995	37,763
Administration	2,083,046	2,192,181
Fiscal	537,875	632,268
Business	50,562	46,238
Operations and maintenance	2,030,597	2,686,553
Pupil transportation	856,509	881,218
Central	31,415	35,886
Operations of non-instructional services:		
Food service operations	890,101	811,208
Other non-instructional services	163,618	286,203
Extracurricular activities	666,058	733,871
Interest and fiscal charges	353,143	404,566
Total expenses	<u>25,637,487</u>	<u>28,190,122</u>
Change in net assets	1,082,272	2,641,992
Net assets at beginning of year	<u>15,861,585</u>	<u>13,219,593</u>
Net assets at end of year	<u>\$ 16,943,857</u>	<u>\$ 15,861,585</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,082,272. Total governmental expenses of \$25,637,487 were offset by program revenues of \$5,973,801 and general revenues of \$20,745,958.

Program revenues supported 23.30% of the total governmental activities expenses.

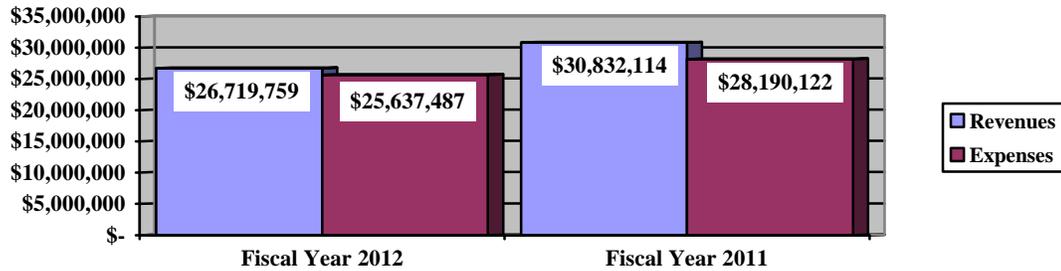
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State of Ohio. These revenue sources represent 77.05% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

**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 table on the following page shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011.

**Governmental Activities**

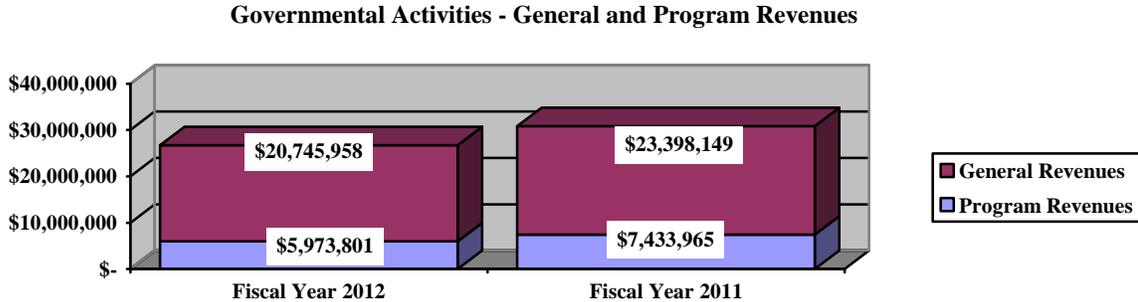
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses:				
Instruction:				
Regular	\$ 11,486,058	\$ 9,989,248	\$ 11,359,716	\$ 8,175,787
Special	3,739,090	1,930,149	4,823,230	3,371,074
Vocational	137,409	118,555	243,347	224,493
Other	25,585	25,585	80,034	10,751
Support services:				
Pupil	1,311,960	1,029,530	1,246,136	903,369
Instructional staff	1,246,466	550,190	1,689,704	1,109,642
Board of education	27,995	27,995	37,763	37,763
Administration	2,083,046	2,080,722	2,192,181	2,184,384
Fiscal	537,875	537,875	632,268	632,268
Business	50,562	50,562	46,238	46,238
Operations and maintenance	2,030,597	2,007,457	2,686,553	2,628,929
Pupil transportation	856,509	795,956	881,218	643,328
Central	31,415	31,415	35,886	30,886
Operation of non-instructional services:				
Food service operations	890,101	(38,482)	811,208	(45,778)
Other non-instructional services	163,618	(22,188)	286,203	27,657
Extracurricular activities	666,058	195,974	733,871	370,800
Interest and fiscal charges	353,143	353,143	404,566	404,566
<b>Total expenses</b>	<b>\$ 25,637,487</b>	<b>\$ 19,663,686</b>	<b>\$ 28,190,122</b>	<b>\$ 20,756,157</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The dependence upon tax revenues during fiscal year 2012 for governmental activities is apparent, as 78.40% of 2012 instruction activities are supported through taxes and other general revenues.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.



**The District's Governmental Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$6,327,411, which is \$259,333 higher than last year's total of \$6,068,078. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
General	\$ 4,128,055	\$ 4,271,549	\$ (143,494)
Other governmental	<u>2,199,356</u>	<u>1,796,529</u>	<u>402,827</u>
Total	<u>\$ 6,327,411</u>	<u>\$ 6,068,078</u>	<u>\$ 259,333</u>

**General Fund**

The District's general fund balance decreased \$143,494 during 2012.

Tax revenue decreased 21.39% due to the advance available in fiscal year 2010 being reversed out of fiscal year 2011 amounts being significantly lower than the advance available in 2011 being reversed out of fiscal year 2012 amounts. The amount of taxes collected and available as an advance is recorded as tax revenue on the modified accrual basis of accounting and can vary depending upon when tax bills are sent out by the County Auditor. The interest rates on the District's investments decreased from the previous year, which caused a decrease in investment income. The increase in transportation fees was due to an increase in monies received from activity funds for transporting pupils to and from activities. Classroom materials and fees decreased due to a decrease in money received from the sale of workbooks. Other revenues decreased due to a decrease in contributions and donations and other miscellaneous receipts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	2012 <u>Amount</u>	2011 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,659,068	\$ 11,015,151	(21.39) %
Intergovernmental	11,169,843	11,357,781	(1.65) %
Investment income	2,737	7,262	(62.31) %
Tuition	1,175,747	1,274,974	(7.78) %
Transportation fees	79,024	69,542	13.63 %
Classroom materials and fees	64,912	79,795	(18.65) %
Payment in lieu of taxes	44,966	41,322	8.82 %
Other revenues	<u>181,944</u>	<u>252,322</u>	(27.89) %
 Total	 <u>\$ 21,378,241</u>	 <u>\$ 24,098,149</u>	 (11.29) %

The table that follows assists in illustrating the expenditures of the general fund. The decrease in facilities acquisition and construction expenditures were for costs associated with Ohio School Facilities Commission project for construction and legal fees owed by the general fund, which were identified in the project closeout in fiscal year 2011. Debt service expenditures decreased due to energy conservation note obligation payments out of the general fund. All other expenditures remained comparable to the prior fiscal year.

	2012 <u>Amount</u>	2011 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 13,722,717	\$ 14,370,525	(4.51) %
Support services	7,321,559	7,908,078	(7.42) %
Extracurricular activities	335,590	310,801	7.98 %
Facilities acquisition and construction	-	22,816	100.00 %
Debt service	<u>145,228</u>	<u>203,597</u>	(28.67) %
 Total	 <u>\$ 21,525,094</u>	 <u>\$ 22,815,817</u>	 (5.66) %

***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 2012, 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 and final budgeted revenues and other financing sources were \$23,740,795. Final budgeted revenues and other financing sources were \$1,941,435 more than actual revenues and other financing sources of \$21,799,360.

General fund original and final appropriations and other financing uses were \$22,144,561. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$22,024,734, which was \$119,827 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2012, the District had \$16,969,285 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles.

The following table shows the capital asset fiscal 2012 balances compared to 2011:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,965,821	\$ 1,965,821
Land improvements	324,037	377,306
Building and improvements	13,545,818	13,803,475
Furniture and equipment	788,062	829,873
Vehicles	<u>345,547</u>	<u>382,493</u>
 Total	 <u>\$ 16,969,285</u>	 <u>\$ 17,358,968</u>

The decrease in capital assets, net of accumulated depreciation, was primarily caused by depreciation expense of \$797,434 exceeding additions of \$408,087. The District had disposals of \$336, net of accumulated depreciation. See Note 8 to the basic financial statements for detail on the District's capital assets.

*Debt Administration*

At June 30, 2012, the District had \$890,000 in general obligation bonds, \$5,919,275 in refunding bonds and \$324,279 in capital lease obligations outstanding. The District's remaining energy conservation note obligation was fully paid in fiscal year 2012. Of the total outstanding debt, \$607,849 is due within one year and \$6,525,705 is due in greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
Energy conservation notes	\$ -	\$ 369,375
School improvement general obligation bonds	890,000	1,305,000
School improvement refunding bonds	5,919,275	5,960,110
Capital lease obligation	<u>324,279</u>	<u>392,128</u>
 Total	 <u>\$ 7,133,554</u>	 <u>\$ 8,026,613</u>

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, 2012**

**Current Financial Related Activities**

Tiffin City School District has committed itself to financial excellence by operating a tight budget with very little excess revenue from year to year, which is a normal expectation of its taxpayers. The District's cost per pupil is approximately \$2,500 less than the state average yet its expenses began to exceed revenue during the 2009-2010 school year. House Bill 920, passed in 1976, does not allow for growth in local tax revenue while expenses continue to experience normal inflation. Therefore, the District must reduce its expenses, increase its revenue, or do both to balance its budget.

From 2007 through 2010, the District reduced its expenses approximately \$750,000 by not replacing the equivalent of 13 full-time employees who retired or resigned. Effective school year 2011-2012, an additional \$1.25 million in expenses was eliminated by reducing 30 more employees. Another \$1.1 million will be eliminated in 2012-2013 by closing two elementary school buildings and reducing additional employees.

In addition to these reductions, the District will increase its revenue from a new 4.9 mill continuing operating levy approved by voters on March 6, 2012. The additional levy will generate over \$1.6 million annually. This will allow the District to maintain its strong school system by continuing to offer the options and opportunities that individualize instruction for its students.

**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: Sharon Perry, Treasurer, Tiffin City School District, 244 South Monroe Street, Tiffin, Ohio 44883.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,489,691
Cash with fiscal agent . . . . .	94
Receivables:	
Property taxes . . . . .	12,056,715
Accounts. . . . .	21,984
Intergovernmental . . . . .	770,773
Prepayments . . . . .	96,930
Materials and supplies inventory. . . . .	54,150
Unamortized bond issuance costs . . . . .	83,410
Capital assets:	
Land. . . . .	1,965,821
Depreciable capital assets, net. . . . .	15,003,464
Capital assets, net . . . . .	16,969,285
 Total assets. . . . .	 34,543,032
 <b>Liabilities:</b>	
Accounts payable. . . . .	24,048
Accrued wages and benefits . . . . .	1,793,128
Pension obligation payable. . . . .	446,320
Intergovernmental payable . . . . .	92,315
Unearned revenue . . . . .	6,598,929
Accrued interest payable . . . . .	20,354
Long-term liabilities:	
Due within one year. . . . .	972,964
Due in more than one year. . . . .	7,651,117
 Total liabilities . . . . .	 17,599,175
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	10,130,005
Restricted for:	
Capital projects . . . . .	485,767
Classroom facilities maintenance . . . . .	484,400
Debt service. . . . .	1,307,500
Locally funded programs . . . . .	78,427
State funded programs. . . . .	7,747
Federally funded programs . . . . .	10,487
Student activities . . . . .	64,820
Other purposes . . . . .	347,948
Unrestricted. . . . .	4,026,756
 Total net assets . . . . .	 \$ 16,943,857

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, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 11,486,058	\$ 1,322,369	\$ 174,441	\$ -	\$ (9,989,248)
Special . . . . .	3,739,090	83,844	1,725,097	-	(1,930,149)
Vocational . . . . .	137,409	-	18,854	-	(118,555)
Other . . . . .	25,585	-	-	-	(25,585)
Support services:					
Pupil. . . . .	1,311,960	97,750	184,680	-	(1,029,530)
Instructional staff . . . . .	1,246,466	-	696,276	-	(550,190)
Board of education . . . . .	27,995	-	-	-	(27,995)
Administration. . . . .	2,083,046	-	2,324	-	(2,080,722)
Fiscal. . . . .	537,875	-	-	-	(537,875)
Business. . . . .	50,562	-	-	-	(50,562)
Operations and maintenance . . . . .	2,030,597	12,224	10,916	-	(2,007,457)
Pupil transportation. . . . .	856,509	-	60,553	-	(795,956)
Central . . . . .	31,415	-	-	-	(31,415)
Operation of non-instructional services:					
Other non-instructional services . . . . .	163,618	-	185,806	-	22,188
Food service operations . . . . .	890,101	325,226	603,357	-	38,482
Extracurricular activities. . . . .	666,058	310,922	58,877	100,285	(195,974)
Interest and fiscal charges . . . . .	353,143	-	-	-	(353,143)
<b>Totals . . . . .</b>	<b>\$ 25,637,487</b>	<b>\$ 2,152,335</b>	<b>\$ 3,721,181</b>	<b>\$ 100,285</b>	<b>(19,663,686)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					9,008,292
Special revenue. . . . .					130,994
Debt service. . . . .					707,017
Capital projects . . . . .					169,951
Payments in lieu of taxes. . . . .					44,966
Grants and entitlements not restricted to specific programs . . . . .					10,526,314
Gain on sale of assets. . . . .					100,000
Investment earnings . . . . .					2,950
Miscellaneous . . . . .					55,474
<b>Total general revenues . . . . .</b>					<b>20,745,958</b>
Change in net assets . . . . .					1,082,272
<b>Net assets at beginning of year. . . . .</b>					<b>15,861,585</b>
<b>Net assets at end of year . . . . .</b>				<b>\$</b>	<b>16,943,857</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 2,480,266	\$ 2,009,425	\$ 4,489,691
Cash with fiscal agent. . . . .	-	94	94
Receivables:			
Property taxes. . . . .	10,919,991	1,136,724	12,056,715
Accounts . . . . .	21,236	748	21,984
Interfund loans . . . . .	5,086	-	5,086
Intergovernmental. . . . .	164,117	606,656	770,773
Prepayments. . . . .	96,930	-	96,930
Materials and supplies inventory. . . . .	-	54,150	54,150
Total assets . . . . .	\$ 13,687,626	\$ 3,807,797	\$ 17,495,423
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 24,048	\$ -	\$ 24,048
Accrued wages and benefits. . . . .	1,499,927	293,201	1,793,128
Compensated absences payable . . . . .	238,202	-	238,202
Interfund loans payable. . . . .	-	5,086	5,086
Intergovernmental payable . . . . .	78,965	13,350	92,315
Unearned revenue. . . . .	6,010,617	588,312	6,598,929
Deferred revenue . . . . .	1,345,399	624,585	1,969,984
Pension obligation payable . . . . .	362,413	83,907	446,320
Total liabilities. . . . .	9,559,571	1,608,441	11,168,012
<b>Fund Balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	-	54,150	54,150
Prepays. . . . .	96,930	-	96,930
Restricted:			
Debt service . . . . .	-	858,790	858,790
Capital improvements . . . . .	-	464,048	464,048
Classroom facilities maintenance . . . . .	-	468,213	468,213
Food service operations . . . . .	-	332,540	332,540
Non-public schools . . . . .	-	22,163	22,163
Special education . . . . .	-	94	94
Extracurricular. . . . .	-	64,496	64,496
Other purposes. . . . .	-	81,509	81,509
Assigned:			
Student instruction . . . . .	4,903	-	4,903
Student and staff support. . . . .	233,920	-	233,920
Extracurricular activities . . . . .	6,764	-	6,764
Subsequent year appropriations . . . . .	532,331	-	532,331
Unassigned (deficit). . . . .	3,253,207	(146,647)	3,106,560
Total fund balances . . . . .	4,128,055	2,199,356	6,327,411
Total liabilities and fund balances . . . . .	\$ 13,687,626	\$ 3,807,797	\$ 17,495,423

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, 2012

<b>Total governmental fund balances</b>		\$	6,327,411
<i>Amounts reported for governmental activities on 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.			16,969,285
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	1,297,941	
Accounts receivable		10,909	
Intergovernmental receivable		661,134	
Total		1,969,984	1,969,984
Bond issuance costs are not recognized in the funds.			83,410
Unamortized premiums on bond issuance costs are not recognized in the funds.			(407,813)
Unamortized deferred charges on refundings are not recognized in the funds.			324,402
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(20,354)
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		(890,000)	
School improvement refunding bonds		(5,919,275)	
Capital lease obligations		(324,279)	
Compensated absences		(1,168,914)	
Total		(8,302,468)	(8,302,468)
<b>Net assets of governmental activities</b>		\$	16,943,857

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, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 8,659,068	\$ 985,787	\$ 9,644,855
Tuition . . . . .	1,175,747	-	1,175,747
Transportation fees . . . . .	79,024	-	79,024
Earnings on investments . . . . .	2,737	461	3,198
Charges for services . . . . .	-	325,226	325,226
Extracurricular . . . . .	71,022	299,123	370,145
Classroom materials and fees . . . . .	64,912	-	64,912
Payment in lieu of taxes . . . . .	44,966	-	44,966
Rental income . . . . .	12,224	-	12,224
Contributions and donations . . . . .	14,301	265,266	279,567
Contract services . . . . .	82,609	42,124	124,733
Other local revenues . . . . .	1,788	102,204	103,992
Intergovernmental - state . . . . .	11,169,843	600,708	11,770,551
Intergovernmental - federal . . . . .	-	2,591,002	2,591,002
Total revenues . . . . .	<u>21,378,241</u>	<u>5,211,901</u>	<u>26,590,142</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	10,636,100	653,645	11,289,745
Special . . . . .	2,930,943	724,141	3,655,084
Vocational . . . . .	131,203	-	131,203
Other . . . . .	24,471	-	24,471
Support services:			
Pupil . . . . .	1,069,783	216,877	1,286,660
Instructional staff . . . . .	674,067	550,361	1,224,428
Board of education . . . . .	27,995	-	27,995
Administration . . . . .	2,053,849	2,234	2,056,083
Fiscal . . . . .	510,521	18,410	528,931
Business . . . . .	50,562	-	50,562
Operations and maintenance . . . . .	2,067,274	74,013	2,141,287
Pupil transportation . . . . .	835,905	25,200	861,105
Central . . . . .	31,440	-	31,440
Operation of non-instructional services:			
Other non-instructional services . . . . .	163	175,638	175,801
Food service operations . . . . .	-	875,028	875,028
Extracurricular activities . . . . .	335,590	313,239	648,829
Facilities acquisition and construction . . . . .	-	168,344	168,344
Debt service:			
Principal retirement . . . . .	116,562	835,662	952,224
Interest and fiscal charges . . . . .	28,666	276,282	304,948
Total expenditures . . . . .	<u>21,525,094</u>	<u>4,909,074</u>	<u>26,434,168</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(146,853)</u>	<u>302,827</u>	<u>155,974</u>
<b>Other financing sources:</b>			
Sale of capital assets . . . . .	<u>3,359</u>	<u>100,000</u>	<u>103,359</u>
Total other financing sources . . . . .	<u>3,359</u>	<u>100,000</u>	<u>103,359</u>
Net change in fund balances . . . . .	(143,494)	402,827	259,333
<b>Fund balances at beginning of year . . . . .</b>	<u>4,271,549</u>	<u>1,796,529</u>	<u>6,068,078</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,128,055</u>	<u>\$ 2,199,356</u>	<u>\$ 6,327,411</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, 2012

**Net change in fund balances - total governmental funds** \$ 259,333

*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 depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	408,087	
Current year depreciation		(797,434)	
Total			(389,347)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (336)

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

Property taxes		371,399	
Contract services		(11,367)	
Rental income		(353)	
Other revenue		(37,309)	
Extracurricular		1,704	
Classroom materials and fees		5,319	
Intergovernmental		(243,926)	
Total			85,467

Repayment of bonds, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds		515,000	
Energy conservation notes		369,375	
Capital leases		67,849	
Total			952,224

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable		10,970	
Accreted interest on capital appreciation bonds		(59,165)	
Amortization of bond issuance costs		(7,306)	
Amortization of bond premiums		35,721	
Amortization of deferred charges		(28,415)	
Total			(48,195)

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.

223,126

**Change in net assets of governmental activities** \$ 1,082,272

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 9,588,825	\$ 9,588,825	\$ 8,902,796	\$ (686,029)
Tuition . . . . .	1,402,471	1,402,471	1,175,747	(226,724)
Transportation fees . . . . .	63,641	63,641	77,980	14,339
Earnings on investments . . . . .	7,988	7,988	2,737	(5,251)
Extracurricular . . . . .	-	-	11,475	11,475
Classroom materials and fees . . . . .	458	458	-	(458)
Rental income . . . . .	14,106	14,106	12,577	(1,529)
Contract services . . . . .	73,879	73,879	81,319	7,440
Other local revenues . . . . .	75,979	75,979	22,381	(53,598)
Intergovernmental - state . . . . .	12,493,558	12,493,558	11,169,843	(1,323,715)
<b>Total revenues . . . . .</b>	<b>23,720,905</b>	<b>23,720,905</b>	<b>21,456,855</b>	<b>(2,264,050)</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,648,826	10,639,040	10,713,268	(74,228)
Special . . . . .	3,010,828	3,005,415	2,982,072	23,343
Vocational . . . . .	223,201	222,764	149,693	73,071
Other . . . . .	11,634	11,611	24,292	(12,681)
Support services:				
Pupil . . . . .	787,139	785,697	947,507	(161,810)
Instructional staff . . . . .	1,118,123	1,148,965	795,856	353,109
Board of education . . . . .	39,632	51,531	33,172	18,359
Administration . . . . .	1,954,698	1,981,070	2,096,839	(115,769)
Fiscal . . . . .	658,522	613,626	599,830	13,796
Business . . . . .	43,195	43,110	50,612	(7,502)
Operations and maintenance . . . . .	2,299,125	2,294,621	2,233,114	61,507
Pupil transportation . . . . .	757,081	755,598	844,881	(89,283)
Central . . . . .	28,621	28,565	30,779	(2,214)
Operation of non-instructional services . . . . .	-	-	162	(162)
Extracurricular activities . . . . .	295,694	295,115	314,585	(19,470)
Facilities acquisition and construction . . . . .	208,241	207,833	145,228	62,605
<b>Total expenditures . . . . .</b>	<b>22,084,561</b>	<b>22,084,561</b>	<b>21,961,890</b>	<b>122,671</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,636,344	1,636,344	(505,035)	(2,141,379)
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	16,704	16,704	46,279	29,575
Transfers (out) . . . . .	(60,000)	(60,000)	(43,564)	16,436
Advances in . . . . .	-	-	122,161	122,161
Advances (out) . . . . .	-	-	(19,280)	(19,280)
TDA residual receipts . . . . .	-	-	170,706	170,706
Sale of capital assets . . . . .	3,186	3,186	3,359	173
<b>Total other financing sources (uses) . . . . .</b>	<b>(40,110)</b>	<b>(40,110)</b>	<b>279,661</b>	<b>319,771</b>
Net change in fund balance . . . . .	1,596,234	1,596,234	(225,374)	(1,821,608)
<b>Fund balance at beginning of year . . . . .</b>	<b>2,189,766</b>	<b>2,189,766</b>	<b>2,189,766</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>241,546</b>	<b>241,546</b>	<b>241,546</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 4,027,546</b>	<b>\$ 4,027,546</b>	<b>\$ 2,205,938</b>	<b>\$ (1,821,608)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 27,908	\$ 49,827
Receivables:		
Accounts . . . . .	-	382
Total assets. . . . .	27,908	\$ 50,209
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 50,209
Total liabilities . . . . .	-	\$ 50,209
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	27,908	
Total net assets . . . . .	\$ 27,908	

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, 2012

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 115
Gifts and contributions. . . . .	2,600
Total additions. . . . .	2,715
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,804
Change in net assets. . . . .	(89)
<b>Net assets at beginning of year . . . . .</b>	<b>27,997</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 27,908</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 2,850. The District employed 185 certified employees and 111 non-certified employees.

**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 has also applied Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. 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, 2012

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

*JOINTLY GOVERNED ORGANIZATION*

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam and Van Wert counties and the cities of St. Marys and Wapakoneta. The organization was 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 governing board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information is available from Ray Burden, Executive Director, at 645 South Main Street, Lima, Ohio 45804.

North Central Ohio Regional Council of Governments (NCORcog)

NCORcog is a legally separate body politic and corporate served by a eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial, founding members, and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

*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, and five 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 school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 12.B. for further information on this public entity risk pool.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program. Refer to Note 12.C. for further information on the GRP.

**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 major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District has no proprietary funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**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. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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, payments in lieu of taxes, 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, 2012, but which were levied to finance fiscal year 2013 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 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

**E. Budgets**

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

The certificate of estimated resources may be amended during the fiscal 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 of estimated resources when the original and final appropriations were adopted.

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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 fiscal year.

**F. Cash and Investments**

To improve cash management, cash received by the District, other than amounts held by a fiscal agent. 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 2012, investments were limited to investments in State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing State 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 2012 amounted to \$2,737, which includes \$957 assigned from other District funds.

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**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a non-spendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those related to government activities. 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.

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 \$1,000. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 years
Building and improvements	40 years
Furniture and equipment	8 years
School buses and vehicles	8 years

**I. Interfund Balances**

On the governmental 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 activities column of the statement of net assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave 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 sick leave payments has been calculated using pay rates in effect at June 30, 2012 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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.

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

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

On the government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. Net Assets**

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

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

**O. Prepayments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**P. Estimates**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Alternative school	\$ 2,898
Education jobs	35,768
Race to the top	8
IDEA Part-B	71,885
Title I	26,677
Improving teacher quality	9,411

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 resulted from adjustments for accrued liabilities.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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) and (2) above and repurchase agreements secured by such obligations, provided that investments in such securities described are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$6,000 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 \$94 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. This amount is not included in the District's depository balance below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**C. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$1,019,137. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$897,931 of the District’s bank balance of \$1,167,684 was exposed to custodial risk as discussed below, while \$269,753 was covered by the FDIC.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	Investment <u>maturities</u> 6 months or less
STAR Ohio	\$ 3,542,289	\$ 3,542,289
Total	<u>\$ 3,542,289</u>	<u>\$ 3,542,289</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*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, 2012:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ 3,542,289	100.00
Total	<u>\$ 3,542,289</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**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 note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,019,137
Investments	3,542,289
Cash with fiscal agent	94
Cash on hand	<u>6,000</u>
Total	<u>\$ 4,567,520</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,489,785
Private-purpose trust funds	27,908
Agency funds	<u>49,827</u>
Total	<u>\$ 4,567,520</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 5,086</u>

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.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$3,733,805 in the general fund, \$298,243 in the bond retirement fund (a nonmajor governmental fund), \$72,884 in the permanent improvement fund (a nonmajor governmental fund) and \$54,913 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$3,977,533 in the general fund, \$307,843 in the bond retirement fund (a nonmajor governmental fund), \$78,030 in the permanent improvement fund (a nonmajor governmental fund) and \$57,710 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 331,257,030	93.91	\$ 320,524,680	93.88
Public utility personal	<u>21,471,000</u>	<u>6.09</u>	<u>20,879,320</u>	<u>6.12</u>
Total	<u>\$ 352,728,030</u>	<u>100.00</u>	<u>\$ 341,404,000</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.01		\$52.26	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 12,056,715
Accounts	21,984
Intergovernmental	<u>770,773</u>
Total governmental activities	<u>\$ 12,849,472</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except the intergovernmental receivable from Buckeye Central Local School District, are expected to be collected in the subsequent year.

During fiscal year 2002, the District entered into an agreement to transfer ownership and operation of the Bloomville Elementary School to the Buckeye Central Local School District. Under this agreement, the Buckeye Central Local School District will pay a pro rata share of the District's general obligation debt, which amounts to \$23,325 semi-annually including interest. The District records the receipts from this agreement in the bond retirement fund (a nonmajor governmental fund).

This receivable, in the amount of \$384,598, is included in the intergovernmental receivable amount reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,965,821	\$ -	\$ -	\$ 1,965,821
Total capital assets, not being depreciated	<u>1,965,821</u>	<u>-</u>	<u>-</u>	<u>1,965,821</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,033,136	-	-	2,033,136
Building and improvements	21,782,793	220,229	-	22,003,022
Furniture and equipment	3,960,706	148,565	(321,539)	3,787,732
School buses and vehicles	1,250,748	39,293	-	1,290,041
Total capital assets, being depreciated	<u>29,027,383</u>	<u>408,087</u>	<u>(321,539)</u>	<u>29,113,931</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,655,830)	(53,269)	-	(1,709,099)
Building and improvements	(7,979,318)	(477,886)	-	(8,457,204)
Furniture and equipment	(3,130,833)	(190,040)	321,203	(2,999,670)
School buses and vehicles	(868,255)	(76,239)	-	(944,494)
Total accumulated depreciation	<u>(13,634,236)</u>	<u>(797,434)</u>	<u>321,203</u>	<u>(14,110,467)</u>
Total capital assets, being depreciated, net	<u>15,393,147</u>	<u>(389,347)</u>	<u>(336)</u>	<u>15,003,464</u>
Governmental activities capital assets, net	<u>\$ 17,358,968</u>	<u>\$ (389,347)</u>	<u>\$ (336)</u>	<u>\$ 16,969,285</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 353,759
Special	86,881
Vocational	5,222
Other	1,114
 <u>Support services:</u>	
Pupil	44,462
Instructional staff	39,816
Administration	72,671
Fiscal	8,952
Operations and maintenance of plant	50,240
Pupil transportation	93,459
Central	1,141
 <u>Operation of non-instructional services:</u>	
Non-instructional services	5,749
Extracurricular	17,229
Food service operations	<u>16,739</u>
 Total depreciation expense	 <u><u>\$ 797,434</u></u>

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

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

These terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of school buses, boilers and windows have been capitalized in the amount of \$1,085,098. These amounts represent the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2012 fiscal year totaled \$67,849 and \$18,970, respectively. These amounts are reported as debt service payments of the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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, 2012:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 86,819
2014	86,819
2015	86,819
2016	86,819
2017	<u>14,469</u>
Total minimum lease payment	361,745
Less: amount representing interest	<u>(37,466)</u>
Present value of minimum lease payments	<u>\$ 324,279</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2012, the following activity occurring in the governmental activities long-term obligations:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
Citicorp-energy conservation note, 5.25%	\$ 369,375	\$ -	\$ (369,375)	\$ -	\$ -
School improvement general obligation bonds, 2.90% to 6.15% matures 12/01/2013	1,305,000	-	(415,000)	890,000	435,000
School improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	5,960,110	59,165	(100,000)	5,919,275	105,000
Compensated absences	1,495,632	168,319	(256,835)	1,407,116	365,115
Capital lease	<u>392,128</u>	<u>-</u>	<u>(67,849)</u>	<u>324,279</u>	<u>67,849</u>
Total governmental activities	<u>\$ 9,522,245</u>	<u>\$ 227,484</u>	<u>\$ (1,209,059)</u>	8,540,670	<u>\$ 972,964</u>
Less: deferred charge on refunding				(324,402)	
Add: unamortized premium				<u>407,813</u>	
Total on statement of net assets				<u>\$ 8,624,081</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Compensated absences will be paid from the funds from which the employees' salaries are paid. The payments primarily will be made from the general fund.

Capital leases are described in Note 9.

- B.** The school improvement general obligation bonds were issued to provide the resources for school improvement projects undertaken by the District. These bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Principal and interest related to these bonds are made from the bond retirement fund, a nonmajor governmental fund.

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

Fiscal Year Ending June 30,	<u>School Improvement General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 435,000	\$ 30,718	\$ 465,718
2014	<u>455,000</u>	<u>10,465</u>	<u>465,465</u>
Total	<u>\$ 890,000</u>	<u>\$ 41,183</u>	<u>\$ 931,183</u>

- C.** The energy conservation notes were issued to provide resources for energy improvements made to various District buildings. On July 21, 2011, the District made their scheduled payment of \$48,713 in principal and \$9,696 in interest from the general fund. On January 24, 2012, the District made a payment of \$320,662 in principal and \$9,071 in interest from the permanent improvement fund (a nonmajor governmental fund) to pay the remaining obligation of the energy conservation notes.
- D.** On May 1, 2007, the District issued general obligation bonds (series 2007 refunding bonds) to advance refund the callable portion of the series 2001 school improvement general obligation bonds (principal of \$6,200,000 refunded). The issuance proceeds were deposited in an escrow fund and will be used to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$5,990,000, and capital appreciation bonds, par value \$210,000. The capital appreciation bonds mature between December 1, 2015 and December 1, 2018 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,195,000. Total accreted interest of \$294,275 has been included on the statement of net assets. Principal and interest payments are paid from the bond retirement fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$473,581. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The following is a schedule of activity for fiscal year 2012 on the series 2007 refunding bonds:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2012</u>
Current interest bonds	\$ 5,515,000	\$ -	\$ (100,000)	\$ 5,415,000
Capital appreciation bonds	210,000	-	-	210,000
Accreted interest on capital appreciation bonds	<u>235,110</u>	<u>59,165</u>	<u>-</u>	<u>294,275</u>
Total refunding bonds	<u>\$ 5,960,110</u>	<u>\$ 59,165</u>	<u>\$ (100,000)</u>	<u>\$ 5,919,275</u>

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

Fiscal Year <u>Ending June 30</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 105,000	\$ 213,525	\$ 318,525	\$ -	\$ -	\$ -
2014	110,000	209,425	319,425	-	-	-
2015	565,000	196,347	761,347	-	-	-
2016	150,000	182,400	332,400	85,000	350,000	435,000
2017	155,000	176,300	331,300	75,000	365,000	440,000
2018 - 2022	2,875,000	606,300	3,481,300	50,000	270,000	320,000
2023 - 2024	<u>1,455,000</u>	<u>58,700</u>	<u>1,513,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,415,000</u>	<u>\$ 1,642,997</u>	<u>\$ 7,057,997</u>	<u>\$ 210,000</u>	<u>\$ 985,000</u>	<u>\$ 1,195,000</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Ohio Revised Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$25,070,150 (including available funds of \$858,790) and an unvoted debt margin of \$341,404.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 11 - 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 10 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.

**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 65 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, 2012

**NOTE 12 - 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	
	500,000	Fire Damage	
	10,000	Medical Expense	
	10,000	Property Damage to Borrowed Equip.	\$ 250
Business Auto	1,000,000	Property	250
	1,000,000	Personal Injury	
	10,000	Medical Payments	
	1,000,000	Uninsured Motorist	
Commercial Property	45,327,000	Blanket Buildings	2,500
	4,943,000	Blanket Business Personal Property	2,500
Employers Liability	1,000,000	Each Accident	
	1,000,000	Disease - Policy Limit	
	1,000,000	Disease - Each Employee	
Employee Benefits Liability	1,000,000	Each Claim	1,000
	3,000,000	Aggregate	
Sexual Misconduct	1,000,000	General Aggregate	
	1,000,000	Each Occurrence	
	300,000	Innocent party Aggregate Defense Limit	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - RISK MANAGEMENT - (Continued)**

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
Errors & Omissions	\$1,000,000	Aggregate	\$ 10,000
Data Processing Equipment	1,507,050	Hardware/Breakdown	500/1,000
Crime	350,000	Employee Dishonesty	500
	5,000	Theft Inside Premises	
	5,000	Theft Outside Premises	
	50,000	ERISA	
	10,000	Bond per Employee	250
Flood	500,000	Building Limits	2,000

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

**B. Health Insurance**

The District is a member of the North Central Ohio Joint Self-Insurance Association (the "Association"). This organization is a public entity risk pool consisting of the District, North Central Ohio Educational Service Center, and four local school districts: Old Fort, Bettsville, Seneca East and Mohawk. 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 school districts and the educational service center. The North Central Ohio Educational Service Center acts as fiscal agent for the association.

**C. Workers' Compensation**

For fiscal year 2012, the District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - 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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$368,563, \$382,280 and \$418,477, respectively; 75.69 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 13 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2012, 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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,361,416, \$1,500,845 and \$1,493,646, respectively; 85.05 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$32,782 made by the District and \$23,416 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$62,451, \$96,093 and \$76,662, respectively; 75.69 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,766, \$24,601 and \$24,886, respectively; 75.69 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$104,724, \$115,450 and \$114,896, respectively; 85.05 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (225,374)
Net adjustment for revenue accruals	(241,757)
Net adjustment for expenditure accruals	348,772
Net adjustment for other sources/uses	(276,302)
Funds budgeted elsewhere	(2,005)
Adjustment for encumbrances	253,172
GAAP basis	\$ (143,494)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 16 - CONTINGENCIES**

**A. Grants and ADM**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 17 - SET-ASIDES - (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	493,224
Current year qualifying expenditures	(279,329)
Current year offsets	<u>(223,722)</u>
Total	<u>\$ (9,827)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 229,978
Other nonmajor governmental	<u>18,576</u>
Total	<u>\$ 248,554</u>

**This page intentionally left blank.**

## **SUPPLEMENTARY DATA**

**TIFFIN CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(C)(D) <b>Child Nutrition Grant Cluster:</b> School Breakfast Program	10.553	2012	\$ 38,757	\$ 38,757
(D)(E) National School Lunch Program-Food Donations	10.555	2012	61,371	61,371
(C)(D) National School Lunch Program	10.555	2012	490,169	490,169
<b>Total National School Lunch Program</b>			551,540	551,540
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			590,297	590,297
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(F) <b>Title I Grant Cluster:</b> Title I Grants to Local Educational Agencies	84.010	2011	24,134	59,077
(F) Title I Grants to Local Educational Agencies	84.010	2012	363,865	359,510
<b>Total Title I Grants to Local Educational Agencies</b>			387,999	418,587
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	8,448	10,739
<b>Total Title I Grant Cluster</b>			396,447	429,326
Special Education Grants to States	84.027	2011	217,920	226,602
Special Education Grants to States	84.027	2012	682,062	657,245
<b>Total Special Education Grants</b>			899,982	883,847
Educational Technology State Grants	84.318	2011	-	50
Improving Teacher Quality State Grants	84.367	2011	2,125	8,935
Improving Teacher Quality State Grants	84.367	2012	119,470	117,705
<b>Total Improving Teacher Quality State Grants</b>			121,595	126,640
ARRA - Race to the Top, Recovery Act	84.395A	2012	1,050	1,050
Education Jobs	84.410	2012	446,635	443,360
<b>Total U.S. Department of Education</b>			1,865,709	1,884,273
<b>Total Federal Financial Assistance</b>			\$ 2,456,006	\$ 2,474,570

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I 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

**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise Tiffin City School District's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Tiffin City School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education  
Tiffin City School District

Compliance and Other Matters

As part of reasonably assuring whether the Tiffin City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Tiffin City School District, federal awarding agencies and pass-through entities, and others within the Tiffin City School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
November 29, 2012



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

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

**Independent Accountants' Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**

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

To the Board of Education:

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 could directly and materially affect each of the Tiffin City School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Tiffin City School District's major federal programs. The Tiffin City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Tiffin City School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Tiffin City School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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.

In our opinion, the Tiffin City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The Tiffin City School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Tiffin City School District's internal control over compliance.

Board of Education  
Tiffin City School District

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Tiffin City School District, federal awarding agencies and pass-through entities, and others within the Tiffin City School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
November 29, 2012

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Education Jobs Grant, CFDA #84.410; Title I Grant Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010; ARRA - Title I Grants to Local Educational Agencies, Recovery Act, CFDA #84.389
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2012**

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# Dave Yost • 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  
JANUARY 22, 2013