

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

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, 2010 through June 30, 2011. 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

February 8, 2012

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent 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, 2011, 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, as of June 30, 2011, 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.

As described in Note 3, during the fiscal year ended June 30, 2011, the Tiffin City School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011 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* provides additional analysis 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.
December 16, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$2,641,992 which represents a 19.99% increase from 2010.
- General revenues accounted for \$23,398,149 in revenue or 75.89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,433,965 or 24.11% of total revenues of \$30,832,114.
- The District had \$28,190,122 in expenses related to governmental activities; only \$7,433,965 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 \$23,398,149 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$24,101,045 in revenues and other financing sources and \$22,815,817 in expenditures. During fiscal 2011, the general fund's fund balance increased \$1,285,228 from a restated balance of \$2,986,321 to \$4,271,549.

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 2011?" 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, 2011**

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 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. 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 16-20 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 21 and 22. 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 23-54 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The District as a Whole

The table below provides a summary of the District's net assets for fiscal years ending June 30, 2011 and 2010.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
<u>Assets:</u>		
Current and other assets	\$ 17,276,465	\$ 17,341,698
Capital assets, net	<u>17,358,968</u>	<u>17,591,745</u>
Total assets	<u>34,635,433</u>	<u>34,933,443</u>
<u>Liabilities:</u>		
Current liabilities	9,160,886	11,357,735
Long-term liabilities	<u>9,612,962</u>	<u>10,356,115</u>
Total liabilities	<u>18,773,848</u>	<u>21,713,850</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	9,476,749	9,044,152
Restricted	3,053,619	2,526,556
Unrestricted	<u>3,331,217</u>	<u>1,648,885</u>
Total net assets	<u>\$ 15,861,585</u>	<u>\$ 13,219,593</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$15,861,585.

At year-end, capital assets represented 50.12% 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, 2011, were \$9,476,749. 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.

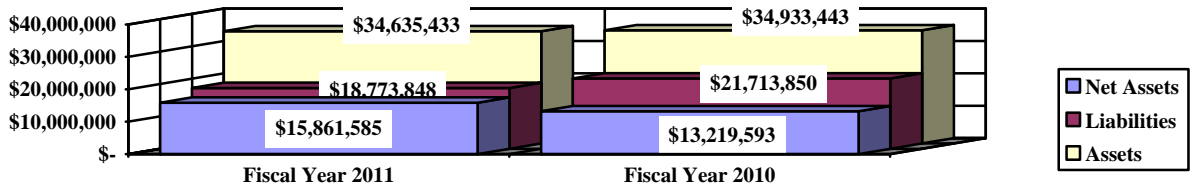
A portion of the District's net assets, \$3,053,619, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,331,217 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table below provides a summary of the District's assets, liabilities and net assets for fiscal year 2011 and 2010.

Governmental - Net Assets



The table below shows the changes in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Revenues:</u>		
Program revenues:		
Charges for services and sales	\$ 2,288,783	\$ 2,390,994
Operating grants and contributions	5,133,235	3,370,028
Capital grants and contributions	11,947	-
General revenues:		
Property taxes	12,324,677	11,104,504
Payment in lieu of taxes	41,322	58,620
Grants and entitlements	10,631,992	11,205,126
Gain on sale of assets	351,842	-
Investment earnings	7,819	8,978
Other	40,497	45,497
Total revenues	<u>30,832,114</u>	<u>28,183,747</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets (Continued)

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
<u>Expenses:</u>		
Program expenses:		
Instruction:		
Regular	\$ 11,359,716	\$ 11,460,510
Special	4,823,230	4,882,632
Vocational	243,347	207,292
Other	80,034	66,230
Support services:		
Pupil	1,246,136	1,105,600
Instructional staff	1,689,704	1,763,153
Board of education	37,763	33,188
Administration	2,192,181	1,848,458
Fiscal	632,268	569,703
Business	46,238	58,573
Operations and maintenance	2,686,553	2,395,035
Pupil transportation	881,218	831,591
Central	35,886	20,497
Operations of non-instructional services:		
Food service operations	811,208	882,364
Other non-instructional services	286,203	197,907
Extracurricular activities	733,871	701,552
Interest and fiscal charges	404,566	419,739
Total expenses	<u>28,190,122</u>	<u>27,444,024</u>
<u>Special Item</u>		
Net assets to Tiffin City School District upon dissolution of component unit	<u>-</u>	<u>192,625</u>
Change in net assets	2,641,992	932,348
Net assets at beginning of year	<u>13,219,593</u>	<u>12,287,245</u>
Net assets at end of year	<u>\$ 15,861,585</u>	<u>\$ 13,219,593</u>

Governmental Activities

Net assets of the District's governmental activities increased \$2,641,992. Total governmental expenses of \$28,190,122 were offset by program revenues of \$7,433,965 and general revenues of \$23,398,149.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

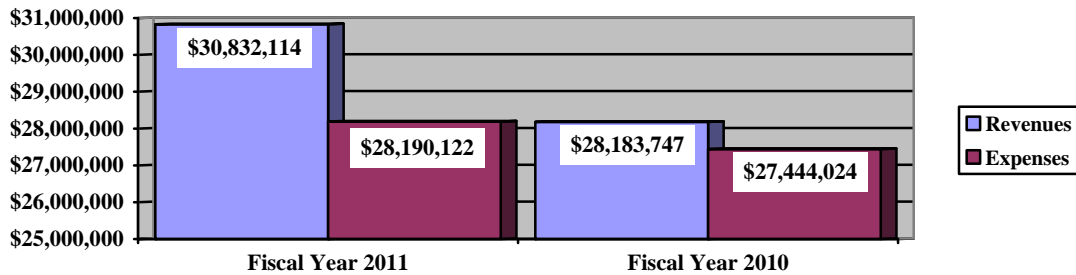
In the area of program revenues, the increase in operating grants and contributions can be attributable in part to a \$882,431 in funding through the State of Ohio Pathway for Student Success (PASS) funding which offsets special education costs. PASS funding has been reported as a program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

Program revenues supported 26.37% 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 74.59% of total governmental revenue. Real estate property is reappraised every six years.

The graph presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

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 2011 and 2010.

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

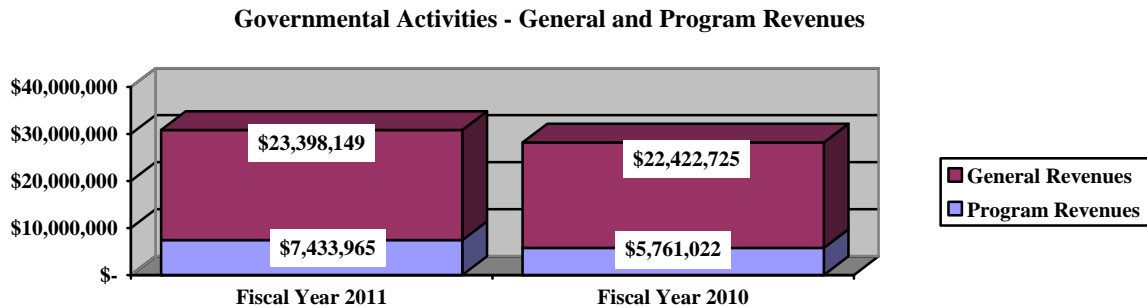
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses:				
Instruction:				
Regular	\$ 11,359,716	\$ 8,175,787	\$ 11,460,510	\$ 9,188,293
Special	4,823,230	3,371,074	4,882,632	4,006,200
Vocational	243,347	224,493	207,292	188,579
Other	80,034	10,751	66,230	-
Support services:				
Pupil	1,246,136	903,369	1,105,600	785,252
Instructional staff	1,689,704	1,109,642	1,763,153	1,184,250
Board of education	37,763	37,763	33,188	33,188
Administration	2,192,181	2,184,384	1,848,458	1,837,218
Fiscal	632,268	632,268	569,703	564,565
Business	46,238	46,238	58,573	58,573
Operations and maintenance	2,686,553	2,628,929	2,395,035	2,379,270
Pupil transportation	881,218	643,328	831,591	702,442
Central	35,886	30,886	20,497	19,677
Operation of non-instructional services:				
Food service operations	811,208	(45,778)	882,364	26,996
Other non-instructional services	286,203	27,657	197,907	(16,463)
Extracurricular activities	733,871	370,800	701,552	305,223
Interest and fiscal charges	404,566	404,566	419,739	419,739
Total expenses	<u>\$ 28,190,122</u>	<u>\$ 20,756,157</u>	<u>\$ 27,444,024</u>	<u>\$ 21,683,002</u>

The dependence upon tax revenues during fiscal year 2011 for governmental activities is apparent, as 73.63% of 2011 instruction activities are supported through taxes and other general revenues.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$6,068,078, which is \$1,713,998 higher than last year's total of \$4,354,080. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balance as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	<u>Increase</u>
General	\$ 4,271,549	\$ 2,986,321	\$1,285,228
Other governmental	<u>1,796,529</u>	<u>1,367,759</u>	<u>428,770</u>
Total	<u>\$ 6,068,078</u>	<u>\$ 4,354,080</u>	<u>\$1,713,998</u>

General Fund

The District's general fund balance increased \$1,285,228 during 2011.

Tax revenue increased as a result of a \$2,298,038 increase in the amount of tax available as an advance at fiscal year-end 2011 versus 2010. 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 District's payments in lieu of taxes are related tax abatement payments, which decreased during fiscal year 2011. The interest rates on the District's investments decreased from the previous year, which caused a decrease in investment income.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 11,015,151	\$ 9,736,028	13.14 %
Intergovernmental	11,357,781	11,135,521	2.00 %
Investment income	7,262	8,112	(10.48) %
Tuition	1,274,974	1,291,488	(1.28) %
Transportation fees	69,542	60,854	14.28 %
Classroom materials and fees	79,795	71,232	12.02 %
Payment in lieu of taxes	41,322	58,620	(29.51) %
Other revenues	<u>252,322</u>	<u>292,082</u>	(13.61) %
Total	<u>\$ 24,098,149</u>	<u>\$ 22,653,937</u>	6.38 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table that follows assists in illustrating the expenditures of the general fund. The District's most significant increase occurred in support services expenditures. This is due to normal and customary wage and benefit increases for the District's support staff. The increase 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. All other expenditures remained comparable to the prior fiscal year.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 14,370,525	\$ 14,592,255	(1.52) %
Support services	7,908,078	7,510,890	5.29 %
Extracurricular activities	310,801	297,174	4.59 %
Facilities acquisition and construction	22,816	-	100.00 %
Debt service	<u>203,597</u>	<u>204,091</u>	(0.24) %
Total	<u>\$ 22,815,817</u>	<u>\$ 22,604,410</u>	0.94 %

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 2011, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$23,463,121. Final budgeted revenues and other financing sources of \$22,547,821 were \$955,300 less than actual revenues and other financing sources of \$21,582,543.

General fund original appropriations were \$22,591,875 and final appropriations were \$22,987,284. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$22,982,036, which was \$5,248 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$17,358,968 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following table shows the capital asset fiscal 2011 balances compared to 2010:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,965,821	\$ 1,946,021
Land improvements	377,306	471,718
Building and improvements	13,803,475	14,047,121
Furniture and equipment	829,873	878,335
Vehicles	<u>382,493</u>	<u>248,550</u>
Total	<u>\$ 17,358,968</u>	<u>\$ 17,591,745</u>

The decrease in capital assets, net of accumulated depreciation, was primarily caused by depreciation expense of \$823,067 exceeding additions of \$594,390. The District had disposals of \$4,100, 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, 2011, the District had \$1,705,000 in general obligation bonds, \$5,960,110 in refunding bonds, \$369,675 in energy conservation notes and \$392,128 in capital lease obligations outstanding. Of the total outstanding debt, \$681,568 is due within one year and \$7,345,345 is due in greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
Energy conservation notes	\$ 369,675	\$ 463,056
School improvement general obligation bonds	1,305,000	1,705,000
School improvement refunding bonds	5,960,110	5,985,857
Capital lease obligation	<u>392,128</u>	<u>456,514</u>
Total	<u>\$ 8,026,913</u>	<u>\$ 8,610,427</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, 2011**

Current Financial Related Activities

Tiffin City Schools 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 over \$2,000 less than the state average and yet its expenses began to exceed its revenue during the 2009-2010 school year. House Bill 920, passed in 1976, does not allow for growth in local tax revenue while expenses unfortunately continue to experience normal inflation. Therefore, the district must attempt to reduce its expenses, increase its revenue, or do both to balance its budget.

From 2007 through 2010, Tiffin City Schools reduced its expenses approximately \$750,000 by not replacing the equivalent of 13 full-time employees who retired or resigned. Effective with the 2011-12 school year, an additional \$1.25 million in expenses will be eliminated by reducing 30 more employees. Another \$1.1 million will be eliminated in 2012-2013 by closing two elementary school buildings.

In addition to these reductions, the district will attempt to increase its revenue by asking its voters to approve a 4.9 mill continuing operating levy on November 8, 2011. The additional levy will generate \$1.7 million annually. This will allow the district to maintain a strong school system by continuing to offer the options and opportunities that individualize instruction for its students, which is the foundation of its Excellent report card rating from the Ohio Department of Education.

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.

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,219,555
Cash with fiscal agent	581
Cash in segregated accounts	170,706
Receivables:	
Property taxes	11,678,042
Accounts.	25,780
Intergovernmental	952,307
Prepayments	66,333
Materials and supplies inventory.	72,445
Unamortized bond issuance costs	90,716
Capital assets:	
Land.	1,965,821
Depreciable capital assets, net.	15,393,147
Capital assets, net	17,358,968
 Total assets.	 34,635,433
 Liabilities:	
Accounts payable.	44,499
Accrued wages and benefits	2,078,936
Pension obligation payable.	554,721
Intergovernmental payable	121,022
Unearned revenue	6,330,384
Accrued interest payable	31,324
Long-term liabilities:	
Due within one year.	938,403
Due in more than one year.	8,674,559
 Total liabilities	 18,773,848
 Net Assets:	
Invested in capital assets, net of related debt.	9,476,749
Restricted for:	
Capital projects	584,419
Classroom facilities maintenance	377,609
Debt service.	1,219,510
Locally funded programs	40,179
State funded programs.	502,662
Federally funded programs	631
Public school support	85
Student activities	19,735
Other purposes	308,789
Unrestricted.	3,331,217
 Total net assets	 \$ 15,861,585

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, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction:					
Regular	\$ 11,359,716	\$ 1,437,970	\$ 1,734,012	\$ 11,947	\$ (8,175,787)
Special	4,823,230	76,908	1,375,248	-	(3,371,074)
Vocational	243,347	-	18,854	-	(224,493)
Other	80,034	-	69,283	-	(10,751)
Support services:					
Pupil.	1,246,136	140,663	202,104	-	(903,369)
Instructional staff	1,689,704	110	579,952	-	(1,109,642)
Board of education	37,763	-	-	-	(37,763)
Administration.	2,192,181	-	7,797	-	(2,184,384)
Fiscal.	632,268	-	-	-	(632,268)
Business.	46,238	-	-	-	(46,238)
Operations and maintenance	2,686,553	13,530	44,094	-	(2,628,929)
Pupil transportation.	881,218	-	237,890	-	(643,328)
Central	35,886	-	5,000	-	(30,886)
Operation of non-instructional services:					
Other non-instructional services	286,203	-	258,546	-	(27,657)
Food service operations	811,208	310,716	546,270	-	45,778
Extracurricular activities.	733,871	308,886	54,185	-	(370,800)
Interest and fiscal charges	404,566	-	-	-	(404,566)
Totals	\$ 28,190,122	\$ 2,288,783	\$ 5,133,235	\$ 11,947	(20,756,157)

General Revenues:

Property taxes levied for:	
General purposes	11,016,210
Special revenue.	169,541
Debt service.	905,079
Capital projects	233,847
Payments in lieu of taxes.	41,322
Grants and entitlements not restricted	
to specific programs	10,631,992
Gain on sale of assets.	351,842
Investment earnings	7,819
Miscellaneous	40,497
Total general revenues	23,398,149
Change in net assets	2,641,992
Net assets at beginning of year.	13,219,593
Net assets at end of year	\$ 15,861,585

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,441,998	\$ 1,766,441	\$ 4,208,439
Cash with fiscal agent.	-	581	581
Cash in segregated accounts	170,706	-	170,706
Receivables:			
Property taxes.	10,415,170	1,262,872	11,678,042
Accounts	25,780	-	25,780
Interfund loans	107,967	-	107,967
Intergovernmental.	5,223	947,084	952,307
Prepayments.	65,375	958	66,333
Materials and supplies inventory.	-	72,445	72,445
Restricted assets:			
Equity in pooled cash and cash equivalents	11,116	-	11,116
Total assets	<u>\$ 13,243,335</u>	<u>\$ 4,050,381</u>	<u>\$ 17,293,716</u>
Liabilities:			
Accounts payable	\$ 21,606	\$ 22,893	\$ 44,499
Accrued wages and benefits.	1,804,291	274,645	2,078,936
Compensated absences payable	103,592	-	103,592
Interfund loans payable.	-	107,967	107,967
Intergovernmental payable	108,714	12,308	121,022
Unearned revenue.	5,611,292	719,092	6,330,384
Deferred revenue	841,824	1,042,693	1,884,517
Pension obligation payable	480,467	74,254	554,721
Total liabilities.	<u>8,971,786</u>	<u>2,253,852</u>	<u>11,225,638</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	-	72,445	72,445
Prepays.	65,375	958	66,333
Restricted:			
Debt service	-	762,544	762,544
Capital improvements	-	562,875	562,875
Classroom facilities maintenance	-	365,212	365,212
Food service operations	-	260,690	260,690
Non-public schools	-	10,988	10,988
Special education	-	581	581
Instructional materials.	11,116	-	11,116
Extracurricular.	-	18,777	18,777
Other purposes.	-	42,899	42,899
Assigned:			
Student instruction	3,229	-	3,229
Student and staff support.	233,896	-	233,896
Unassigned	3,957,933	(301,440)	3,656,493
Total fund balances	<u>4,271,549</u>	<u>1,796,529</u>	<u>6,068,078</u>
Total liabilities and fund balances	<u>\$ 13,243,335</u>	<u>\$ 4,050,381</u>	<u>\$ 17,293,716</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$ 6,068,078
<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.		17,358,968
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 926,542	
Accounts receivable	15,479	
Intergovernmental receivable	942,496	
Total	1,884,517	1,884,517
Bond issuance costs are not recognized in the funds.		90,716
Unamortized premiums on bond issuance costs are not recognized in the funds.		(443,534)
Unamortized amounts on refundings are not recognized in the funds.		352,817
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(31,324)
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	(1,305,000)	
School improvement refunding bonds	(5,960,110)	
Energy conservation notes	(369,375)	
Capital lease obligations	(392,128)	
Compensated absences	(1,392,040)	
Total	(9,418,653)	(9,418,653)
Net assets of governmental activities		\$ 15,861,585

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, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 11,015,151	\$ 1,287,730	\$ 12,302,881
Tuition	1,274,974	-	1,274,974
Transportation fees	69,542	-	69,542
Earnings on investments	7,262	557	7,819
Charges for services	-	310,023	310,023
Extracurricular	79,450	289,690	369,140
Classroom materials and fees	79,795	240	80,035
Payment in lieu of taxes	41,322	-	41,322
Rental income	13,177	-	13,177
Contributions and donations	38,110	121,509	159,619
Contract services	70,539	42,000	112,539
Other local revenues	51,046	63,388	114,434
Intergovernmental - intermediate	-	8,176	8,176
Intergovernmental - state	11,357,781	630,249	11,988,030
Intergovernmental - federal	-	3,084,252	3,084,252
Total revenues	<u>24,098,149</u>	<u>5,837,814</u>	<u>29,935,963</u>
Expenditures:			
Current:			
Instruction:			
Regular	10,176,033	867,146	11,043,179
Special	3,949,913	806,252	4,756,165
Vocational	233,828	-	233,828
Other	10,751	69,283	80,034
Support services:			
Pupil	963,244	222,327	1,185,571
Instructional staff	1,039,011	620,415	1,659,426
Board of education	37,763	-	37,763
Administration	2,095,014	7,389	2,102,403
Fiscal	605,354	19,943	625,297
Business	46,238	-	46,238
Operations and maintenance	2,276,619	104,132	2,380,751
Pupil transportation	818,444	192,241	1,010,685
Central	26,391	6,847	33,238
Operation of non-instructional services:			
Other non-instructional services	-	285,987	285,987
Food service operations	-	797,340	797,340
Extracurricular activities	310,801	404,869	715,670
Facilities acquisition and construction	22,816	328,820	351,636
Debt service:			
Principal retirement	158,067	500,000	658,067
Interest and fiscal charges	45,530	289,099	334,629
Total expenditures	<u>22,815,817</u>	<u>5,522,090</u>	<u>28,337,907</u>
Excess of revenues over expenditures	<u>1,282,332</u>	<u>315,724</u>	<u>1,598,056</u>
Other financing sources (uses):			
Sale of capital assets	2,896	113,046	115,942
Transfers in	-	438,009	438,009
Transfers (out)	-	(438,009)	(438,009)
Total other financing sources (uses)	<u>2,896</u>	<u>113,046</u>	<u>115,942</u>
Net change in fund balances	1,285,228	428,770	1,713,998
Fund balances at beginning of year (restated).	<u>2,986,321</u>	<u>1,367,759</u>	<u>4,354,080</u>
Fund balances at end of year.	<u>\$ 4,271,549</u>	<u>\$ 1,796,529</u>	<u>\$ 6,068,078</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, 2011

Net change in fund balances - total governmental funds \$ 1,713,998

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	\$ 594,390	
Current year depreciation	(823,067)	
Total		(228,677)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (4,100)

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

Property taxes	21,796	
Transportation fees	(748)	
Contract services	11,367	
Rental income	294	
Other revenue	(9,679)	
Extracurricular	79	
Classroom materials and fees	1,300	
Intergovernmental	519,900	
Total		544,309

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	500,000	
Energy conservation notes	93,681	
Capital leases	64,386	
Total		658,067

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: -

(Increase) decrease in accrued interest payable	4,316	
Accreted interest on capital appreciation bonds	(74,253)	
Amortization of bond issuance costs	(7,306)	
Amortization of bond premiums	35,721	
Amortization of deferred charges	(28,415)	
Total		(69,937)

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. 28,332

Change in net assets of governmental activities \$ 2,641,992

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 9,793,835	\$ 9,047,109	\$ 8,717,113	\$ (329,996)
Tuition	1,398,083	1,291,487	1,274,974	(16,513)
Transportation fees	-	-	57,855	57,855
Earnings on investments	7,976	7,368	7,262	(106)
Classroom materials and fees	-	-	417	417
Rental income	17,002	15,706	12,824	(2,882)
Contract services	26,709	24,673	67,163	42,490
Other local revenues	74,658	68,966	69,072	106
Intergovernmental - state	12,132,601	12,081,190	11,357,781	(723,409)
Intergovernmental - federal	79	73	-	(73)
Total revenues	<u>23,450,943</u>	<u>22,536,572</u>	<u>21,564,461</u>	<u>(972,111)</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,138,557	10,002,177	10,031,630	(29,453)
Special	3,909,695	3,873,700	4,016,908	(143,208)
Vocational	196,194	193,719	233,398	(39,679)
Other	80	6,235	10,751	(4,516)
Support services:				
Pupil	859,702	848,856	835,317	13,539
Instructional staff	1,186,278	1,186,602	1,108,440	78,162
Board of education	44,757	44,192	39,159	5,033
Administration	1,854,493	1,915,024	2,056,799	(141,775)
Fiscal	561,405	944,743	673,237	271,506
Business	61,298	60,525	49,276	11,249
Operations and maintenance	2,412,972	2,382,695	2,372,998	9,697
Pupil transportation	882,482	871,349	822,798	48,551
Central	36,764	36,300	30,271	6,029
Extracurricular activities	326,291	322,175	320,527	1,648
Facilities acquisition and construction	120,907	298,992	226,413	72,579
Total expenditures	<u>22,591,875</u>	<u>22,987,284</u>	<u>22,827,922</u>	<u>159,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>859,068</u>	<u>(450,712)</u>	<u>(1,263,461)</u>	<u>(812,749)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	9,744	9,001	15,186	6,185
Transfers in	1,977	1,826	-	(1,826)
Transfers (out)	-	-	(46,147)	(46,147)
Advances (out)	-	-	(107,967)	(107,967)
Sale of capital assets	457	422	2,896	2,474
Total other financing sources (uses)	<u>12,178</u>	<u>11,249</u>	<u>(136,032)</u>	<u>(147,281)</u>
Net change in fund balance	871,246	(439,463)	(1,399,493)	(960,030)
Fund balance at beginning of year	3,331,384	3,331,384	3,331,384	-
Prior year encumbrances appropriated	257,875	257,875	257,875	-
Fund balance at end of year	<u>\$ 4,460,505</u>	<u>\$ 3,149,796</u>	<u>\$ 2,189,766</u>	<u>\$ (960,030)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 27,997	\$ 48,892
Receivables:		
Accounts	-	174
	27,997	\$ 49,066
Total assets.		
Liabilities:		
Accounts payable.	-	\$ 132
Due to students.	-	48,934
	-	\$ 49,066
Total liabilities		
Net assets:		
Held in trust for scholarships	27,997	
Total net assets	\$ 27,997	

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, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 230
Gifts and contributions	2,990
Total additions	3,220
 Deductions:	
Scholarships awarded	3,390
Change in net assets	(170)
Net assets at beginning of year	28,167
Net assets at end of year	\$ 27,997

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2,815. The District employed 210 certified employees and 144 non-certified employees. The District ranks as the 163rd largest by enrollment among the 918 public and community school districts in the State.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District 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, 2011

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.

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 local school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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, 2011, but which were levied to finance fiscal year 2012 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, 2011, 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 and in segregated accounts is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

Cash and cash equivalents held in banks accounts not in the District's name are included on the financial statements as "cash in segregated accounts".

During fiscal year 2011, 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.

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, 2011.

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 2011 amounted to \$7,262, which includes \$2,412 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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, 2011 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 instructional materials 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.

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. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include monies restricted by State statute for the purchase of textbooks and instructional materials. See Note 17 for additional information regarding set-asides and the related restricted assets.

R. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,965,326	\$ 1,388,754	\$ 4,354,080
Fund reclassifications:			
Public school support fund	32,439	(32,439)	-
Uniform school supplies fund	<u>(11,444)</u>	<u>11,444</u>	-
Total fund reclassifications	<u>20,995</u>	<u>(20,995)</u>	-
Restated fund balance at July 1, 2010	<u>\$ 2,986,321</u>	<u>\$ 1,367,759</u>	<u>\$ 4,354,080</u>

The fund reclassifications did not have an effect on net assets as previously reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 59
Alternative school	9,629
Miscellaneous State grants	5,778
IDEA Part-B	245,348
Title I	24,950
Improving teacher quality	15,676

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, 2011**

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 \$581 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, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Cash in Segregated Accounts

At fiscal year-end, the District had \$170,706 in cash and cash equivalents held in a segregated account related to the closing of Tiffin City School Digital Academy (“Digital Academy”). This amount is included on the financial statements as “cash in segregated accounts”. The Digital Academy ceased operations effective June 30, 2010. In accordance with the sponsorship contract, the assets of the Digital Academy were transferred to the District. This amount is not included in the District’s depository balance below.

D. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$423,905. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, \$322,070 of the District’s bank balance of \$572,070 was exposed to custodial risk as discussed below, while \$250,000 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.

E. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities 6 months or less</u>
STAR Ohio	\$ 3,866,539	\$ 3,866,539
Total	<u>\$ 3,866,539</u>	<u>\$ 3,866,539</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 service rating. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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, 2011:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ 3,866,539	100.00
Total	<u>\$ 3,866,539</u>	<u>100.00</u>

F. 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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 423,905
Investments	3,866,539
Cash with fiscal agent	581
Cash in segregated accounts	170,706
Cash on hand	<u>6,000</u>
Total	<u>\$ 4,467,731</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,390,842
Private-purpose trust funds	27,997
Agency funds	<u>48,892</u>
Total	<u>\$ 4,467,731</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

Transfers from nonmajor governmental fund to:

Nonmajor governmental funds	<u>\$ 438,009</u>
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District transferred \$407,190 from the classroom facilities fund (a nonmajor governmental fund) and \$30,819 from the building fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) due to the completion of the Ohio School Facilities Commission project. This transfer was approved by the Ohio School Facilities Commission.

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 107,967</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, 2011 are 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, 2011**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$3,977,533 in the general fund, \$307,843 in the debt service 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). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,679,495 in the general fund, \$112,615 in the debt service fund (a nonmajor governmental fund), \$28,077 in the permanent improvement fund (a nonmajor governmental fund) and \$21,012 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, 2011 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, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 329,704,130	94.03	\$ 331,257,030	93.91
Public utility personal	<u>20,925,090</u>	<u>5.97</u>	<u>21,471,000</u>	<u>6.09</u>
Total	<u>\$ 350,629,220</u>	<u>100.00</u>	<u>\$ 352,728,030</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.03		\$52.01	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 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	\$ 11,678,042
Accounts	25,780
Intergovernmental	<u>952,307</u>
Total governmental activities	<u>\$ 12,656,129</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 debt service fund (a nonmajor governmental fund).

This receivable, in the amount of \$422,034, 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, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance			Balance
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,946,021	\$ 19,800	\$ -	\$ 1,965,821
Total capital assets, not being depreciated	<u>1,946,021</u>	<u>19,800</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	21,686,730	220,200	(124,137)	21,782,793
Furniture and equipment	3,868,454	151,690	(59,438)	3,960,706
School buses and vehicles	<u>1,121,453</u>	<u>202,700</u>	<u>(73,405)</u>	<u>1,250,748</u>
Total capital assets, being depreciated	<u>28,709,773</u>	<u>574,590</u>	<u>(256,980)</u>	<u>29,027,383</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,561,418)	(94,412)	-	(1,655,830)
Building and improvements	(7,639,609)	(463,846)	124,137	(7,979,318)
Furniture and equipment	(2,990,119)	(196,052)	55,338	(3,130,833)
School buses and vehicles	<u>(872,903)</u>	<u>(68,757)</u>	<u>73,405</u>	<u>(868,255)</u>
Total accumulated depreciation	<u>(13,064,049)</u>	<u>(823,067)</u>	<u>252,880</u>	<u>(13,634,236)</u>
Total capital assets, being depreciated, net	<u>15,645,724</u>	<u>(248,477)</u>	<u>(4,100)</u>	<u>15,393,147</u>
Governmental activities capital assets, net	<u>\$ 17,591,745</u>	<u>\$ (228,677)</u>	<u>\$ (4,100)</u>	<u>\$ 17,358,968</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 374,816
Special	96,611
Vocational	9,415
 <u>Support services:</u>	
Pupil	40,443
Instructional staff	53,458
Administration	70,943
Fiscal	9,615
Operations and maintenance of plant	53,188
Pupil transportation	74,322
Central	1,482
 <u>Operation of non-instructional services:</u>	
Food service operations	15,913
Other non-instructional services	4,660
Extracurricular	<u>18,201</u>
 Total depreciation expense	 <u><u>\$ 823,067</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 2011 fiscal year totaled \$64,386 and \$22,433, 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, 2011

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, 2011:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 86,819
2013	86,819
2014	86,819
2015	86,819
2016	86,819
2017	<u>14,469</u>
Total minimum lease payment	448,564
Less: amount representing interest	<u>(56,436)</u>
Present value of minimum lease payments	<u>\$ 392,128</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2011, the following activity occurring in the governmental activities long-term obligations:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
Citicorp-energy conservation note, 5.25%; matures 7/15/2014	\$ 463,056	\$ -	\$ (93,681)	\$ 369,375	\$ 98,719
School improvement general obligation bonds, 2.90% to 6.15% matures 12/01/2013	1,705,000	-	(400,000)	1,305,000	415,000
School improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	5,985,857	74,253	(100,000)	5,960,110	100,000
Compensated absences	1,647,665	211,745	(363,778)	1,495,632	256,835
Capital lease	<u>456,514</u>	<u>-</u>	<u>(64,386)</u>	<u>392,128</u>	<u>67,849</u>
Total governmental activities	<u>\$ 10,258,092</u>	<u>\$ 285,998</u>	<u>\$ (1,021,845)</u>	9,522,245	<u>\$ 938,403</u>
Less: deferred charge on refunding				(352,817)	
Add: unamortized premium				<u>443,534</u>	
Total on statement of net assets				<u>\$ 9,612,962</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 debt service 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,	School Improvement General Obligation Bonds		
	Principal	Interest	Total
2012	\$ 415,000	\$ 49,843	\$ 464,843
2013	435,000	30,718	465,718
2014	<u>455,000</u>	<u>10,465</u>	<u>465,465</u>
Total	<u>\$ 1,305,000</u>	<u>\$ 91,026</u>	<u>\$ 1,396,026</u>

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

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation note:

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2012	\$ 98,719	\$ 18,113	\$ 116,832
2013	104,028	12,862	116,890
2014	109,622	7,328	116,950
2015	<u>57,006</u>	<u>1,496</u>	<u>58,502</u>
Total	<u>\$ 369,375</u>	<u>\$ 39,799</u>	<u>\$ 409,174</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- 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 \$235,110 has been included on the statement of net assets. Principal and interest payments are paid from the debt service 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.

The following is a schedule of activity for fiscal year 2011 on the series 2007 refunding bonds:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>
Current interest bonds	\$ 5,615,000	\$ -	\$ (100,000)	\$ 5,515,000
Capital appreciation bonds	210,000	-	-	210,000
Accreted interest on capital appreciation bonds	<u>160,857</u>	<u>74,253</u>	<u>-</u>	<u>235,110</u>
Total refunding bonds	<u>\$ 5,985,857</u>	<u>\$ 74,253</u>	<u>\$ (100,000)</u>	<u>\$ 5,960,110</u>

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

Fiscal Year Ending June 30	<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>
2012	\$ 100,000	\$ 217,369	\$ 317,369	\$ -	\$ -	\$ -
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 - 2021	2,345,000	710,700	3,055,700	125,000	635,000	760,000
2022 - 2024	<u>2,140,000</u>	<u>130,600</u>	<u>2,270,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,515,000</u>	<u>\$ 1,860,366</u>	<u>\$ 7,375,366</u>	<u>\$ 210,000</u>	<u>\$ 985,000</u>	<u>\$ 1,195,000</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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, 2011, are a voted debt margin of \$25,478,067 (including available funds of \$762,544) and an unvoted debt margin of \$352,728.

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 66.25 days.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	
	300,000	Fire Damage	
	5,000	Medical Expense	
Vehicle Policy	1,000,000	Bodily Injury	\$ 250
	1,000,000	Property Damage	
	10,000	Medical Payments	
	1,000,000	Uninsured Motorist	
Building and Contents	41,505,618		2,500
Blanket Business Personal Property	4,682,825		2,500
Worker Compensation	1,000,000	Employer's Liability - Each Accident	
	1,000,000	Disease - Policy Limit	
	1,000,000	Each employee	
<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
Data Processing Equipment	\$1,000,000		\$500/100
Blanket Bond	10,000	Per Individual	
Crime	3,000		No deductible
Robbery & Safe Burglary	5,000		No deductible

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Health Insurance

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

C. Workers' Compensation

For fiscal year 2011, 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.

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, under "Media/Financial Reports".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

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 2011, 11.77 percent and 0.04 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, 2011, 2010 and 2009 were \$382,280, \$418,477 and \$277,003, respectively; 53.62 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2011, 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, 2011, 2010 and 2009 were \$1,500,845, \$1,493,646 and \$1,498,508, respectively; 83.47 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$42,353 made by the District and \$30,252 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, 2011, 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 was \$96.40 and 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, under "Media/Financial Reports".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011, 1.43 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 2011, 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, 2011, 2010 and 2009 were \$96,093, \$76,662 and \$188,971, respectively; 53.62 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$24,601, \$24,886 and \$22,855, respectively; 53.62 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, 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 2011, 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, 2011, 2010 and 2009 were \$115,450, \$114,896 and \$115,270, respectively; 83.47 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	\$ (1,399,493)
Net adjustment for revenue accruals	2,311,333
Net adjustment for expenditure accruals	(8,462)
Net adjustment for other sources/uses	138,928
Funds budgeted elsewhere	1,376
Adjustment for encumbrances	241,546
GAAP basis	<u>\$ 1,285,228</u>

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, 2011

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. 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. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 367,603	\$ -
Current year set-aside requirement	403,564	403,564
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(760,051)	(288,254)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	(233,979)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ 11,116</u>	<u>\$ (118,669)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - SET-ASIDES - (Continued)

Effective July 1, 2011, the textbook/instructional materials set-aside is no longer required and has been removed from existing law. This balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

A schedule of the general fund restricted assets at June 30, 2011 follows:

Amount restricted for instructional materials	<u>\$ 11,116</u>
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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	\$ 216,219
Other nonmajor governmental	<u>25,896</u>
Total	<u>\$ 242,115</u>

SUPPLEMENTARY DATA

**TIFFIN CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C)(D) Child Nutrition Cluster: School Breakfast Program	10.553	2011	\$ 30,358	\$ 30,358
(D)(E) National School Lunch Program-Food Donations	10.555	2011	59,368	59,368
(C)(D) National School Lunch Program	10.555	2011	443,883	443,883
Total National School Lunch Program			503,251	503,251
Total U.S. Department of Agriculture and Child Nutrition Cluster			533,609	533,609
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) Title I Grants to Local Educational Agencies	84.010	2010	562	21,081
(F) Title I Grants to Local Educational Agencies	84.010	2011	401,064	366,122
Total Title I Grants to Local Educational Agencies			401,626	387,203
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	18,093	19,925
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	47,713	45,422
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			65,806	65,347
Total Title I Grant Cluster			467,432	452,550
Special Education Grant Cluster:				
(G)(H) Special Education Grants to States	84.027	2010	(53,844)	99,122
(G)(H) Special Education Grants to States	84.027	2011	670,006	661,324
Total Special Education Grants to States			616,162	760,446
(G)(H) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	(94,577)	14,595
(G)(H) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	263,918	263,917
Total ARRA - Special Education Grants to States, Recovery Act			169,341	278,512
Total Special Education Grant Cluster			785,503	1,038,958
(H) Safe and Drug-Free Schools and Communities State Grants	84.186	2010	(1,800)	-
(H) Safe and Drug-Free Schools and Communities State Grants	84.186	2011	5,289	5,289
Total Safe and Drug-Free Schools and Communities State Grants			3,489	5,289
(H) Educational Technology State Grants	84.318	2010	(524)	-
(H) Educational Technology State Grants	84.318	2011	2,119	2,069
Total Educational Technology State Grants			1,595	2,069
(H) Improving Teacher Quality State Grants	84.367	2010	(3,676)	19,739
(H) Improving Teacher Quality State Grants	84.367	2011	154,536	147,725
Total Improving Teacher Quality State Grants			150,860	167,464
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	760,784	760,784
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Learn and Serve America_School and Community Based Programs	94.004	2011	44,094	39,850
Total Learn and Service America_School and Community Based Programs and Corporation for National and Community Services			44,094	39,850
Total U.S. Department of Education			2,213,757	2,466,964
Total Federal Financial Assistance			\$ 2,747,366	\$ 3,000,573

continued

**TIFFIN CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (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 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.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_Grants to States	84.027	2010	\$ 53,844	
Special Education_Grants to States	84.027	2011		\$ 53,844
ARRA - Special Education Grants to States, Recovery Act	84.391	2010	94,577	
ARRA - Special Education Grants to States, Recovery Act	84.391	2011		94,577
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	1,800	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011		1,800
Educational Technology State Grants	84.318	2010	524	
Educational Technology State Grants	84.318	2011		524
Improving Teacher Quality State Grants	84.367	2010	3,676	
Improving Teacher Quality State Grants	84.367	2011		3,676
Totals			\$ 154,421	\$ 154,421



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**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, 2011, which collectively comprise Tiffin City School District's basic financial statements and have issued our report thereon dated December 16, 2011. We noted that the Tiffin City School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 Local 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.
December 16, 2011



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**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, 2011. 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 express an opinion on the Tiffin City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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, 2011.

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.



Julian & Grube, Inc.
December 16, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<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>	Nutrition Grant Cluster: School Breakfast Program, CFDA #10.553 and National School Lunch Program, CFDA #10.555; Special Education Grant Cluster: Special Education Grants to States, CFDA #84.027; ARRA - Special Education Grants to States, Recovery Act, CFDA #84.391; ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act, CFDA #84.394
<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, 2011**

**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



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Tiffin City School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 27, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 16, 2011

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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
FEBRUARY 21, 2012