

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2013***

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 Auditor's Report* of the Tiffin City School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 8, 2014

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Tiffin City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Tiffin City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Tiffin City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Tiffin City School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tiffin City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 20, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities increased \$1,330,263 which represents a 7.71% increase from 2012 as restated in Note 3.A.
- General revenues accounted for \$20,960,698 in revenue or 79.19% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,506,795 or 20.81% of total revenues of \$26,467,493.
- The District had \$25,137,230 in expenses related to governmental activities; only \$5,506,795 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,960,698 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$20,009,466 in revenues and \$21,332,044 in expenditures. During fiscal 2013, the general fund's fund balance decreased \$1,322,578 from a balance of \$4,128,055 to \$2,805,477.

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 position 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 position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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, 2013**

These two statements report the District's net position and changes in net position. This change in net position 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 position 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 position 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 fund begins on page 10. 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 position 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 position and changes in fiduciary net position 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 23-53 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The District as a Whole

Certain asset, deferred outflow, liability, deferred inflow, and net position classifications have been restated by the District for fiscal year 2012 to conform to fiscal year 2013 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65 and to adjust capital asset beginning balances. The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	Net Position	
	Governmental Activities 2013	(Restated) Governmental Activities 2012
<u>Assets:</u>		
Current and other assets	\$ 21,752,232	\$ 17,490,337
Capital assets, net	<u>16,973,985</u>	<u>17,356,386</u>
Total assets	<u>38,726,217</u>	<u>34,846,723</u>
<u>Deferred outflows:</u>	<u>295,987</u>	<u>324,402</u>
<u>Liabilities:</u>		
Current liabilities	2,245,556	2,376,165
Long-term liabilities	<u>8,269,875</u>	<u>8,948,483</u>
Total liabilities	<u>10,515,431</u>	<u>11,324,648</u>
<u>Deferred inflows:</u>	<u>9,928,962</u>	<u>6,598,929</u>
<u>Net position:</u>		
Net investment in capital assets	10,670,099	10,433,696
Restricted	2,675,417	2,787,096
Unrestricted	<u>5,232,295</u>	<u>4,026,756</u>
Total net position	<u>\$ 18,577,811</u>	<u>\$ 17,247,548</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$18,577,811.

At year-end, capital assets represented 43.83% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and school buses and vehicles. The District's net investment in capital assets at June 30, 2013, was \$10,670,099. 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.

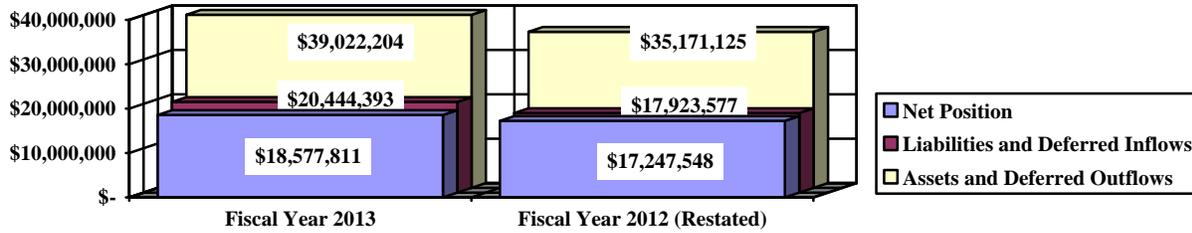
A portion of the District's net position, \$2,675,417, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$5,232,295 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The table below provides a summary of the District's assets, deferred outflows, liabilities, deferred inflows and net position for fiscal year 2013 and 2012.

Governmental - Net Assets



The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below shows the changes in net position for governmental activities for fiscal years 2013 and 2012.

Change in Net Position

	Governmental Activities <u>2013</u>	(Restated) Governmental Activities <u>2012</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 1,986,621	\$ 2,152,335
Operating grants and contributions	3,494,015	3,721,181
Capital grants and contributions	26,159	100,285
General revenues:		
Property taxes	10,066,231	10,016,254
Payment in lieu of taxes	39,957	44,966
Grants and entitlements	10,538,836	10,526,314
Gain on sale of assets	235,780	100,000
Investment earnings	7,556	2,950
Other	<u>72,338</u>	<u>55,474</u>
Total revenues	<u>26,467,493</u>	<u>26,719,759</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Change in Net Position (Continued)	
	Governmental	(Restated)
	Activities	Governmental
	<u>2013</u>	<u>2012</u>
<u>Expenses:</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,779,058	\$ 11,296,177
Special	3,576,667	3,692,457
Vocational	141,259	134,606
Other	38,295	24,987
Support services:		
Pupil	1,212,820	1,288,095
Instructional staff	1,303,951	1,225,095
Board of education	32,549	27,995
Administration	1,733,875	2,044,040
Fiscal	600,838	533,070
Business	19,958	50,562
Operations and maintenance	2,556,885	2,007,113
Pupil transportation	1,019,842	843,784
Central	5,071	30,803
Operations of non-instructional services:		
Food service operations	753,083	881,116
Other non-instructional services	326,441	160,532
Extracurricular activities	649,330	656,811
Interest and fiscal charges	<u>387,308</u>	<u>345,837</u>
Total expenses	<u>25,137,230</u>	<u>25,243,080</u>
Change in net position	1,330,263	1,476,679
Net position at beginning of year (restated)	<u>17,247,548</u>	<u>15,770,869</u>
Net position at end of year	<u>\$ 18,577,811</u>	<u>\$ 17,247,548</u>

Governmental Activities

Net position of the District's governmental activities increased \$1,330,263. Total governmental expenses of \$25,137,230 were offset by program revenues of \$5,506,795 and general revenues of \$20,960,698.

Program revenues supported 21.91% of the total governmental activities expenses.

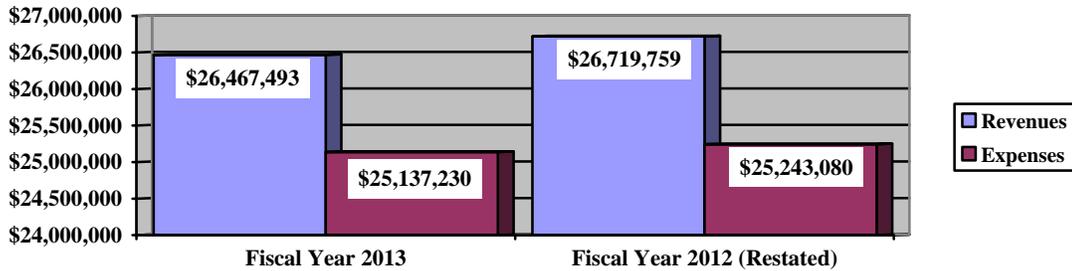
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State of Ohio. These revenue sources represent 77.85 % of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The graph below presents the District's governmental activities revenues and expenses for fiscal years 2013 and 2012.

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 net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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

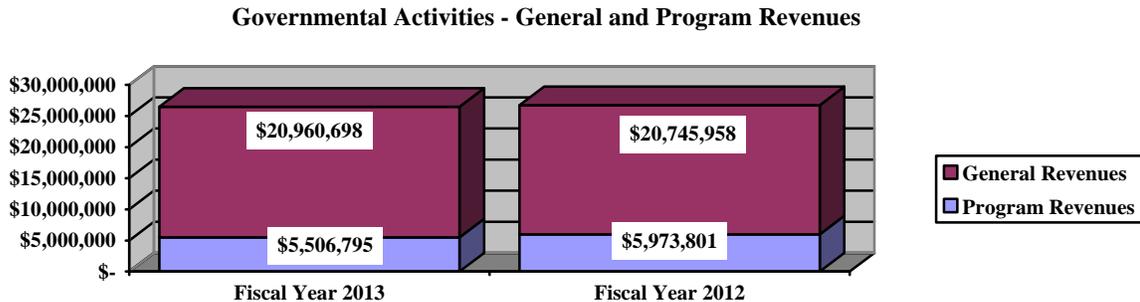
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	(Restated) Total Cost of Services 2012	(Restated) Net Cost of Services 2012
Program expenses:				
Instruction:				
Regular	\$ 10,779,058	\$ 9,474,403	\$ 11,296,177	\$ 9,799,367
Special	3,576,667	1,737,839	3,692,457	1,883,516
Vocational	141,259	122,405	134,606	115,752
Other	38,295	38,295	24,987	24,987
Support services:				
Pupil	1,212,820	1,023,746	1,288,095	1,005,665
Instructional staff	1,303,951	832,022	1,225,095	528,819
Board of education	32,549	32,549	27,995	27,995
Administration	1,733,875	1,731,212	2,044,040	2,041,716
Fiscal	600,838	600,790	533,070	533,070
Business	19,958	19,958	50,562	50,562
Operations and maintenance	2,556,885	2,502,473	2,007,113	1,983,973
Pupil transportation	1,019,842	960,917	843,784	783,231
Central	5,071	4,014	30,803	30,803
Operation of non-instructional services:				
Food service operations	753,083	(44,313)	881,116	(47,467)
Other non-instructional services	326,441	26,171	160,532	(25,274)
Extracurricular activities	649,330	180,646	656,811	186,727
Interest and fiscal charges	387,308	387,308	345,837	345,837
Total expenses	\$ 25,137,230	\$ 19,630,435	\$ 25,243,080	\$ 19,269,279

The dependence upon tax revenues during fiscal year 2013 for governmental activities is apparent, as 78.24% of 2013 instruction activities are supported through taxes and other general revenues.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 \$5,199,094, which is \$1,128,317 lower than last year's total of \$6,327,411. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	Increase <u>(Decrease)</u>
General	\$ 2,805,477	\$ 4,128,055	\$ (1,322,578)
Other governmental	<u>2,393,617</u>	<u>2,199,356</u>	<u>194,261</u>
Total	<u>\$ 5,199,094</u>	<u>\$ 6,327,411</u>	<u>\$ (1,128,317)</u>

General Fund

The District's general fund balance decreased \$1,322,578 during 2013.

Tax revenue decreased 16.56% due to the advance available in fiscal year 2013 amounts being significantly lower than the advance available in 2012. 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 decrease in tuition was due to a decrease in open enrollment. The decrease in transportation fees was due to a decrease in monies received from activity funds for transporting pupils to and from extracurricular activities. Classroom materials and fees increased due to an increase in money received from the sale of workbooks. Other revenues increased primarily due to an increase in extracurricular revenues.

	2013 <u>Amount</u>	2012 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 7,225,455	\$ 8,659,068	(16.56) %
Intergovernmental	11,268,739	11,169,843	0.89 %
Investment income	7,331	2,737	167.85 %
Tuition	1,054,567	1,175,747	(10.31) %
Transportation fees	65,028	79,024	(17.71) %
Classroom materials and fees	73,113	64,912	12.63 %
Payment in lieu of taxes	39,957	44,966	(11.14) %
Other revenues	<u>275,276</u>	<u>181,944</u>	51.30 %
Total	<u>\$ 20,009,466</u>	<u>\$ 21,378,241</u>	(6.40) %

The table that follows assists in illustrating the expenditures of the general fund. Debt service expenditures decreased due to energy conservation note obligation payments out of the general fund in fiscal year 2012. All other expenditures remained comparable to the prior fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 13,598,021	\$ 13,722,717	(0.91) %
Support services	7,323,840	7,321,559	0.03 %
Extracurricular activities	323,364	335,590	(3.64) %
Debt service	<u>86,819</u>	<u>145,228</u>	(40.22) %
Total	<u>\$ 21,332,044</u>	<u>\$ 21,525,094</u>	(0.90) %

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 2013, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$22,121,480. Final budgeted revenues and other financing sources of \$22,889,331 were \$687,229 more than actual revenues and other financing sources of \$22,202,102.

General fund original and final appropriations and other financing uses were \$22,906,983. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$21,697,152, which was \$1,209,831 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets were restated at July 1, 2012 to match the reported capital assets with the District's records. At the end of fiscal 2013, the District had \$16,973,985 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, 2013

The following table shows the capital asset fiscal 2013 balances compared to 2012:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2013</u>	(Restated) <u>2012</u>
Land	\$ 1,965,821	\$ 1,965,821
Land improvements	261,016	295,631
Building and improvements	12,770,405	13,179,106
Furniture and equipment	1,545,965	1,579,616
Vehicles	<u>430,778</u>	<u>336,212</u>
Total	<u>\$ 16,973,985</u>	<u>\$ 17,356,386</u>

The decrease in capital assets, net of accumulated depreciation, was primarily caused by depreciation expense of \$782,546 exceeding additions of \$402,699. The District had disposals of \$2,554, 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, 2013, the District had \$455,000 in general obligation bonds, \$5,951,355 in refunding bonds and \$252,781 in capital lease obligations outstanding. Of the total outstanding debt, \$640,344 is due within one year and \$6,018,792 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>2013</u>	<u>2012</u>
School improvement general obligation bonds	\$ 455,000	\$ 890,000
School improvement refunding bonds	5,951,355	5,919,275
Capital lease obligation	<u>252,781</u>	<u>324,279</u>
Total	<u>\$ 6,659,136</u>	<u>\$ 7,133,554</u>

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

Current Financial Related Activities

Tiffin City School District has committed itself to financial excellence by operating a tight budget with very little excess revenue from year to year, which is a normal expectation of its taxpayers.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

After expenses began to exceed revenues in the 2009-2010 and 2010-2011 fiscal years, the District reduced its expenses \$1.25 million by eliminating thirty of its staff positions in fiscal year 2011-2012. An additional \$1.1 million was eliminated in fiscal year 2012-2013 by closing two of its elementary school buildings. Personnel costs were also controlled by negotiating a pay freeze for all employees in both years.

In addition to these measures, the District increased its revenue by passing a new 4.9 mill continuing operating levy on March 6, 2012. The additional levy generates over \$1.6 million annually. Also, voters renewed an existing 1.0 mill permanent improvement levy that generates \$210,000 annually on November 6, 2012.

All of this allowed the District's revenues to exceed its expenses by \$720,000 in fiscal year 2012-2013, which in turn allows the District to maintain its strong school system by continuing to offer the options and opportunities that individualize instruction for its students.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 5,683,000
Cash with fiscal agent	2,001
Receivables:	
Property taxes	15,045,261
Accounts	21,935
Intergovernmental	845,593
Prepayments	96,244
Materials and supplies inventory	58,198
Capital assets:	
Land	1,965,821
Depreciable capital assets, net	<u>15,008,164</u>
Capital assets, net	<u>16,973,985</u>
Total assets	<u><u>38,726,217</u></u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	<u>295,987</u>
Total deferred outflows of resources	<u><u>295,987</u></u>
 Liabilities:	
Accounts payable	99,256
Accrued wages and benefits payable	1,646,445
Pension obligation payable	405,508
Intergovernmental payable	76,023
Accrued interest payable	18,324
Long-term liabilities:	
Due within one year	946,593
Due in more than one year	<u>7,323,282</u>
Total liabilities	<u><u>10,515,431</u></u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	<u>9,928,962</u>
Total deferred inflows of resources	<u><u>9,928,962</u></u>
 Net position:	
Net investment in capital assets	10,670,099
Restricted for:	
Capital projects	681,362
Classroom facilities maintenance	561,548
Debt service	841,751
Locally funded programs	48,962
State funded programs	19,960
Federally funded programs	20,440
Student activities	115,756
Other purposes	385,638
Unrestricted	<u>5,232,295</u>
Total net position	<u><u>\$ 18,577,811</u></u>

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, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 10,779,058	\$ 1,200,059	\$ 104,596	\$ -	\$ (9,474,403)
Special	3,576,667	75,675	1,763,153	-	(1,737,839)
Vocational	141,259	-	18,854	-	(122,405)
Other	38,295	-	-	-	(38,295)
Support services:					
Pupil	1,212,820	93,959	95,115	-	(1,023,746)
Instructional staff	1,303,951	363	471,566	-	(832,022)
Board of education	32,549	-	-	-	(32,549)
Administration	1,733,875	-	2,663	-	(1,731,212)
Fiscal	600,838	-	48	-	(600,790)
Business	19,958	-	-	-	(19,958)
Operations and maintenance	2,556,885	30,287	24,125	-	(2,502,473)
Pupil transportation	1,019,842	-	58,925	-	(960,917)
Central	5,071	-	1,057	-	(4,014)
Operation of non-instructional services:					
Other non-instructional services	326,441	-	300,270	-	(26,171)
Food service operations	753,083	238,009	559,387	-	44,313
Extracurricular activities	649,330	348,269	94,256	26,159	(180,646)
Interest and fiscal charges	387,308	-	-	-	(387,308)
Total governmental activities	\$ 25,137,230	\$ 1,986,621	\$ 3,494,015	\$ 26,159	(19,630,435)

General revenues:

Property taxes levied for:	
General purposes	9,193,653
Special revenue	112,460
Debt service	606,871
Capital outlay	153,247
Payments in lieu of taxes	39,957
Grants and entitlements not restricted	
to specific programs	10,538,836
Gain on sale of assets	235,780
Investment earnings	7,556
Miscellaneous	72,338
Total general revenues	20,960,698
Change in net position	1,330,263
Net position at beginning of year (restated)	17,247,548
Net position at end of year	\$ 18,577,811

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,199,206	\$ 2,483,794	\$ 5,683,000
Cash with fiscal agent.	-	2,001	2,001
Receivables:			
Property taxes.	13,740,328	1,304,933	15,045,261
Accounts	21,935	-	21,935
Interfund loans	2,739	-	2,739
Intergovernmental.	315,797	529,796	845,593
Prepayments.	96,244	-	96,244
Materials and supplies inventory.	-	58,198	58,198
Total assets	<u>\$ 17,376,249</u>	<u>\$ 4,378,722</u>	<u>\$ 21,754,971</u>
Liabilities:			
Accounts payable	\$ 30,976	\$ 68,280	\$ 99,256
Accrued wages and benefits payable	1,419,204	227,241	1,646,445
Compensated absences payable	233,138	1,540	234,678
Interfund loans payable.	-	2,739	2,739
Intergovernmental payable	66,496	9,527	76,023
Pension obligation payable	335,842	69,666	405,508
Total liabilities.	<u>2,085,656</u>	<u>378,993</u>	<u>2,464,649</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	9,067,786	861,176	9,928,962
Delinquent property tax revenue not available.	3,143,767	298,567	3,442,334
Miscellaneous revenue not available.	26,057	-	26,057
Intergovernmental revenue not available	247,506	446,369	693,875
Total deferred inflows of resources	<u>12,485,116</u>	<u>1,606,112</u>	<u>14,091,228</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	-	58,198	58,198
Prepays.	96,244	-	96,244
Restricted:			
Debt service	-	726,068	726,068
Capital improvements	-	628,850	628,850
Classroom facilities maintenance	-	522,880	522,880
Food service operations	-	370,643	370,643
Non-public schools	-	27,660	27,660
Special education	-	2,001	2,001
Other purposes.	-	48,962	48,962
Extracurricular	-	115,756	115,756
Assigned:			
Student instruction	63,241	-	63,241
Student and staff support.	137,577	-	137,577
Extracurricular activities	1,607	-	1,607
Unassigned (deficit)	2,506,808	(107,401)	2,399,407
Total fund balances	<u>2,805,477</u>	<u>2,393,617</u>	<u>5,199,094</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 17,376,249</u>	<u>\$ 4,378,722</u>	<u>\$ 21,754,971</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	5,199,094
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,973,985
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	3,442,334	
Accounts receivable		26,057	
Intergovernmental receivable		693,875	
Total		4,162,266	4,162,266
Unamortized premiums on bonds issued are not recognized in the funds.			(372,092)
Unamortized amounts on refundings are not recognized in the funds.			295,987
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(18,324)
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		(455,000)	
School improvement refunding bonds		(5,951,355)	
Capital lease obligations		(252,781)	
Compensated absences		(1,003,969)	
Total		(7,663,105)	(7,663,105)
Net position of governmental activities		\$	18,577,811

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, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 7,225,455	\$ 696,383	\$ 7,921,838
Payment in lieu of taxes	39,957	-	39,957
Tuition	1,054,567	-	1,054,567
Transportation fees	65,028	-	65,028
Earnings on investments	7,331	882	8,213
Charges for services	-	238,009	238,009
Extracurricular	127,415	271,736	399,151
Classroom materials and fees	73,113	235	73,348
Rental income	30,287	-	30,287
Contributions and donations	12,105	144,491	156,596
Contract services	80,555	46,000	126,555
Other local revenues	24,914	69,921	94,835
Intergovernmental - state	11,268,739	597,687	11,866,426
Intergovernmental - federal	-	2,028,574	2,028,574
Total revenues	<u>20,009,466</u>	<u>4,093,918</u>	<u>24,103,384</u>
Expenditures:			
Current:			
Instruction:			
Regular	10,694,923	111,987	10,806,910
Special	2,727,136	860,236	3,587,372
Vocational	140,796	-	140,796
Other	35,166	3,129	38,295
Support services:			
Pupil	1,111,400	142,349	1,253,749
Instructional staff	842,813	479,234	1,322,047
Board of education	32,549	-	32,549
Administration	1,765,661	2,510	1,768,171
Fiscal	620,975	18,092	639,067
Business	19,958	-	19,958
Operations and maintenance	1,894,121	88,777	1,982,898
Pupil transportation	1,031,183	996	1,032,179
Central	5,071	-	5,071
Operation of non-instructional services:			
Other non-instructional services	109	295,249	295,358
Food service operations	-	755,245	755,245
Extracurricular activities	323,364	325,966	649,330
Facilities acquisition and construction	-	267,424	267,424
Debt service:			
Principal retirement	71,498	540,000	611,498
Interest and fiscal charges	15,321	244,243	259,564
Total expenditures	<u>21,332,044</u>	<u>4,135,437</u>	<u>25,467,481</u>
Excess of expenditures over revenues	<u>(1,322,578)</u>	<u>(41,519)</u>	<u>(1,364,097)</u>
Other financing sources:			
Sale of capital assets	-	235,780	235,780
Total other financing sources	<u>-</u>	<u>235,780</u>	<u>235,780</u>
Net change in fund balances	<u>(1,322,578)</u>	<u>194,261</u>	<u>(1,128,317)</u>
Fund balances at beginning of year	<u>4,128,055</u>	<u>2,199,356</u>	<u>6,327,411</u>
Fund balances at end of year	<u>\$ 2,805,477</u>	<u>\$ 2,393,617</u>	<u>\$ 5,199,094</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, 2013

Net change in fund balances - total governmental funds \$ (1,128,317)

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.

Capital asset additions	\$	402,699	
Current year depreciation		(782,546)	
Total		(379,847)	(379,847)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (2,554)

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

Property taxes	2,144,393		
Other revenue	(14,403)		
Extracurricular	(254)		
Classroom materials and fees	3,182		
Intergovernmental	59,364		
Total	2,192,282		2,192,282

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

Bonds	540,000		
Capital leases	71,498		
Total	611,498		611,498

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

Decrease in accrued interest payable	2,030		
Accreted interest on capital appreciation bonds	(137,080)		
Amortization of bond premiums	35,721		
Amortization of deferred charges	(28,415)		
Total	(127,744)		(127,744)

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.

164,945

Change in net position of governmental activities \$ 1,330,263

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 9,034,347	\$ 9,347,935	\$ 9,430,485	\$ 82,550
Tuition	1,193,120	1,234,534	1,054,567	(179,967)
Transportation fees	79,132	81,879	77,594	(4,285)
Earnings on investments	2,778	2,874	7,331	4,457
Extracurricular	11,645	12,049	77,335	65,286
Classroom materials and fees	-	-	282	282
Rental income	12,763	13,206	30,287	17,081
Contract services	82,522	85,386	83,096	(2,290)
Other local revenues	22,712	23,500	51,841	28,341
Intergovernmental - state	11,334,894	11,728,336	11,268,739	(459,597)
Total revenues	<u>21,773,912</u>	<u>22,529,699</u>	<u>22,081,557</u>	<u>(448,142)</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,182,005	10,964,767	10,821,476	143,291
Special	3,116,531	3,045,666	2,733,444	312,222
Vocational	156,592	152,472	157,679	(5,207)
Other	10,523	16,239	22,740	(6,501)
Support services:				
Pupil	1,019,056	995,966	1,078,891	(82,925)
Instructional staff	832,224	937,835	887,225	50,610
Board of education	34,477	34,450	29,851	4,599
Administration	2,174,345	2,128,412	1,777,205	351,207
Fiscal	626,389	699,707	638,463	61,244
Business	51,489	50,965	20,058	30,907
Operations and maintenance	2,322,938	2,270,600	2,003,090	267,510
Pupil transportation	891,502	1,142,632	1,084,496	58,136
Central	6,705	6,540	6,330	210
Other non-instructional services	166	164	88	76
Extracurricular activities	328,580	320,221	319,938	283
Facilities acquisition and construction	90,617	88,349	86,819	1,530
Total expenditures	<u>22,844,139</u>	<u>22,854,983</u>	<u>21,667,793</u>	<u>1,187,190</u>
Excess (deficiency) of revenues over (under) expenditures	(1,070,227)	(325,284)	413,764	739,048
Other financing sources (uses):				
Refund of prior year's expenditures	46,963	48,593	99,903	51,310
Transfers (out)	(43,564)	(52,000)	(26,620)	25,380
Advances in	123,966	128,269	5,086	(123,183)
Advances (out)	(19,280)	-	(2,739)	(2,739)
Sale of capital assets	176,639	182,770	15,556	(167,214)
Total other financing sources (uses)	<u>284,724</u>	<u>307,632</u>	<u>91,186</u>	<u>(216,446)</u>
Net change in fund balance	(785,503)	(17,652)	504,950	522,602
Fund balance at beginning of year	2,205,938	2,205,938	2,205,938	-
Prior year encumbrances appropriated	253,172	253,172	253,172	-
Fund balance at end of year	<u>\$ 1,673,607</u>	<u>\$ 2,441,458</u>	<u>\$ 2,964,060</u>	<u>\$ 522,602</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 24,748	\$ 33,513
Receivables:		
Accounts	-	1,800
Intergovernmental.	-	5
	24,748	\$ 35,318
Total assets.	24,748	\$ 35,318
Liabilities:		
Due to students.	-	\$ 35,318
	-	\$ 35,318
Total liabilities	-	\$ 35,318
Net position:		
Held in trust for scholarships	24,748	
	24,748	
Total net position.	\$ 24,748	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 584
Total additions	584
Deductions:	
Scholarships awarded	3,744
Change in net position	(3,160)
Net position at beginning of year	27,908
Net position at end of year	\$ 24,748

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, 2013

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 2,830. The District employed 169 certified employees and 110 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2013

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, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The Governing Board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information is available from Ray Burden, Executive Director, at 645 South Main Street, Lima, Ohio 45804.

North Central Ohio Regional Council of Governments (NCORcog)

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

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

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

INSURANCE PURCHASING POOLS

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

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, and five school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 12.B. for further information on this public entity risk pool.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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 deferred outflows and current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

D. Basis of Accounting

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

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, miscellaneous revenue not available and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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.

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

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

During fiscal year 2013, investments were limited to investments in State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$7,331, which includes \$2,806 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

I. Interfund Balances

On the governmental fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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 and capital leases are recognized as a liability on the fund financial statements when due.

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

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

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

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

M. Fund Balance

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had an effect on the net position of the District as previously reported:

	Governmental Activities
Net assets as previously reported	\$ 16,943,857
Adjustment of capital asset beginning balance	387,101
Removal of unamortized bond issuance costs	(83,410)
Net position at July 1, 2012	\$ 17,247,548

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

In addition to GASB Statement No. 65, net position at July 1, 2012 was restated to correct errors and omissions to the beginning balance of capital assets as previously reported.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Alternative school	\$ 3,172
School to work	15,628
Race to the top	10
IDEA Part-B	52,045
Title-I	34,348
Improving teacher quality	2,198

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$2,001 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.

C. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$5,104,774. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$431,524 of the District’s bank balance of \$5,186,557 was exposed to custodial risk as discussed below, while \$4,755,033 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2013, 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	\$ 630,487	\$ 630,487
Total	<u>\$ 630,487</u>	<u>\$ 630,487</u>

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ 630,487	100.00
Total	<u>\$ 630,487</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,104,774
Investments	630,487
Cash with fiscal agent	2,001
Cash on hand	<u>6,000</u>
Total	<u>\$ 5,743,262</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,685,001
Private-purpose trust funds	24,748
Agency funds	<u>33,513</u>
Total	<u>\$ 5,743,262</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 2,739</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, 2013 are reported on the statement of net position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,528,775 in the general fund, \$100,850 in the bond retirement fund (a nonmajor governmental fund), \$25,536 in the permanent improvement fund (a nonmajor governmental fund) and \$18,804 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$3,733,805 in the general fund, \$298,243 in the bond retirement fund (a nonmajor governmental fund), \$72,884 in the permanent improvement fund (a nonmajor governmental fund) and \$54,913 in the classroom facilities maintenance fund (a nonmajor governmental fund). 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, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 320,524,680	93.88	\$ 319,146,380	93.50
Public utility personal	<u>20,879,320</u>	<u>6.12</u>	<u>22,174,340</u>	<u>6.50</u>
Total	<u>\$ 341,404,000</u>	<u>100.00</u>	<u>\$ 341,320,720</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$52.26		 \$57.16	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 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 position follows:

Governmental activities:

Taxes	\$ 15,045,261
Accounts	21,935
Intergovernmental	<u>845,593</u>
Total governmental activities	<u>\$ 15,912,789</u>

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

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

This receivable, in the amount of \$357,975, is included in the intergovernmental receivable amount reported on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS

The beginning balance of capital assets of the governmental activities has been increased in the amount of \$387,101. The restatement was due to errors and omissions as previously reported. Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance		(Restated)			Balance
	June 30, 2012	Adjustments	June 30, 2012	Additions	Deductions	June 30, 2013
Governmental activities:						
<i>Capital assets, not being depreciated:</i>						
Land	\$ 1,965,821	\$ -	\$ 1,965,821	\$ -	\$ -	\$ 1,965,821
Total capital assets, not being depreciated	<u>1,965,821</u>	<u>-</u>	<u>1,965,821</u>	<u>-</u>	<u>-</u>	<u>1,965,821</u>
<i>Capital assets, being depreciated:</i>						
Land improvements	2,033,136	-	2,033,136	15,000	-	2,048,136
Building and improvements	22,003,022	38,336	22,041,358	59,124	(251,930)	21,848,552
Furniture and equipment	3,787,732	(51,445)	3,736,287	155,666	(112,906)	3,779,047
School buses and vehicles	1,290,041	-	1,290,041	172,909	(1,850)	1,461,100
Total capital assets, being depreciated	<u>29,113,931</u>	<u>(13,109)</u>	<u>29,100,822</u>	<u>402,699</u>	<u>(366,686)</u>	<u>29,136,835</u>
<i>Less: accumulated depreciation</i>						
Land improvements	(1,709,099)	(28,406)	(1,737,505)	(49,615)	-	(1,787,120)
Building and improvements	(8,457,204)	(405,048)	(8,862,252)	(467,825)	251,930	(9,078,147)
Furniture and equipment	(2,999,670)	842,999	(2,156,671)	(186,763)	110,352	(2,233,082)
School buses and vehicles	(944,494)	(9,335)	(953,829)	(78,343)	1,850	(1,030,322)
Total accumulated depreciation	<u>(14,110,467)</u>	<u>400,210</u>	<u>(13,710,257)</u>	<u>(782,546)</u>	<u>364,132</u>	<u>(14,128,671)</u>
Total capital assets, being depreciated, net	<u>15,003,464</u>	<u>387,101</u>	<u>15,390,565</u>	<u>(379,847)</u>	<u>(2,554)</u>	<u>15,008,164</u>
Governmental activities capital assets, net	<u>\$ 16,969,285</u>		<u>\$ 17,356,386</u>	<u>\$ (379,847)</u>	<u>\$ (2,554)</u>	<u>\$ 16,973,985</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 123,998
<u>Support services:</u>	
Administration	6,462
Operations and maintenance	539,788
Pupil transportation	81,667
<u>Operation of non-instructional services:</u>	
Other non-instructional services	<u>30,631</u>
Total depreciation expense	<u>\$ 782,546</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 2013 fiscal year totaled \$71,498 and \$15,321, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2013:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2014	\$ 86,819
2015	86,819
2016	86,819
2017	<u>14,469</u>
Total minimum lease payment	274,926
Less: amount representing interest	<u>(22,145)</u>
Present value of minimum lease payments	<u>\$ 252,781</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2013, the following activity occurring in the governmental activities long-term obligations:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
School improvement general obligation bonds, 2.90% to 6.15% matures 12/01/2013	\$ 890,000	\$ -	\$ (435,000)	\$ 455,000	\$ 455,000
School improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	5,919,275	137,080	(105,000)	5,951,355	110,000
Compensated absences	1,407,116	205,381	(373,850)	1,238,647	306,249
Capital lease	<u>324,279</u>	<u>-</u>	<u>(71,498)</u>	<u>252,781</u>	<u>75,344</u>
Total governmental activities	<u>\$ 8,540,670</u>	<u>\$ 342,461</u>	<u>\$ (985,348)</u>	7,897,783	<u>\$ 946,593</u>
Add: unamortized premium				<u>372,092</u>	
Total on statement of net position				<u>\$ 8,269,875</u>	

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 payments related to these bonds are made from the bond retirement fund, a nonmajor governmental fund.

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

Fiscal Year	<u>School Improvement General Obligation Bonds</u>		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ <u>455,000</u>	\$ <u>10,465</u>	\$ <u>465,465</u>

- C. 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 position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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 \$431,355 has been included on the statement of net position. Principal and interest payments are paid from the bond retirement fund (a nonmajor governmental fund).

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

The following is a schedule of activity for fiscal year 2013 on the series 2007 refunding bonds:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Current interest bonds	\$ 5,415,000	\$ -	\$ (105,000)	\$ 5,310,000
Capital appreciation bonds	210,000	-	-	210,000
Accreted interest on capital appreciation bonds	<u>294,275</u>	<u>137,080</u>	<u>-</u>	<u>431,355</u>
Total refunding bonds	<u>\$ 5,919,275</u>	<u>\$ 137,080</u>	<u>\$ (105,000)</u>	<u>\$ 5,951,355</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	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 110,000	\$ 209,425	\$ 319,425	\$ -	\$ -	\$ -
2015	565,000	196,347	761,347	-	-	-
2016	150,000	182,400	332,400	85,000	350,000	435,000
2017	155,000	176,300	331,300	75,000	365,000	440,000
2018	440,000	164,400	604,400	25,000	135,000	160,000
2019 - 2023	3,150,000	485,800	3,635,800	25,000	135,000	160,000
2024	<u>740,000</u>	<u>14,800</u>	<u>754,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,310,000</u>	<u>\$ 1,429,472</u>	<u>\$ 6,739,472</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, 2013**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. 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, 2013, are a voted debt margin of \$25,469,933 (including available funds of \$726,068) and an unvoted debt margin of \$341,321.

NOTE 11 - COMPENSATED ABSENCES

A. Vacation

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Certified and classified employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Custodial employees who are not full-time employees will earn vacation days with pay based on the number of hours worked in a given year. Employees are permitted to carry over vacation leave earned in the current year into the next year.

B. Sick Leave

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

C. Service Retirement

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

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

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
General Liability	\$2,000,000	General Aggregate	
	2,000,000	Products/Completed Ops. Aggregate	
	1,000,000	Personal & Advertising Injury	
	1,000,000	Each Occurrence	
	500,000	Fire Damage	
	10,000	Medical Expense	
	10,000	Property Damage to Borrowed Equip.	\$ 250
Business Auto	1,000,000	Property	250
	1,000,000	Personal Injury	
	10,000	Medical Payments	
	1,000,000	Uninsured Motorist	
Commercial Property	45,727,000	Blanket Buildings	2,500
	4,943,000	Blanket Business Personal Property	2,500
Employers Liability	1,000,000	Each Accident	
	1,000,000	Disease - Policy Limit	
	1,000,000	Disease - Each Employee	
Employee Benefits Liability	1,000,000	Each Claim	1,000
	3,000,000	Aggregate	
Sexual Misconduct	1,000,000	General Aggregate	
	1,000,000	Each Occurrence	
	300,000	Innocent party Aggregate Defense Limit	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

B. Health Insurance

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

C. Workers' Compensation

For fiscal year 2013, the District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$352,391, \$368,563 and \$382,280, respectively; 68.54 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2013, 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, 2013, 2012 and 2011 were \$1,272,691, \$1,361,416 and \$1,500,845, respectively; 84.42 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$42,902 made by the District and \$30,644 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, 2013, 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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, 2013, 2012 and 2011 were \$46,981, \$62,451 and \$96,093, respectively; 68.54 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$19,906, \$21,766 and \$24,601, respectively; 68.54 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 2013, 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, 2013, 2012 and 2011 were \$97,899, \$104,724 and \$115,450, respectively; 84.42 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$ 504,950
Net adjustment for revenue accruals	(2,220,137)
Net adjustment for expenditure accruals	270,650
Net adjustment for other sources/uses	(91,186)
Funds budgeted elsewhere	(5,648)
Adjustment for encumbrances	218,793
GAAP basis	<u>\$ (1,322,578)</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, 2013**

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 law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	473,996
Current year qualifying expenditures	(406,248)
Current year offsets	<u>(209,367)</u>
Total	<u>\$ (141,619)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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>	Year-End <u>Encumbrances</u>
General fund	\$ 191,082
Other nonmajor governmental	<u>223,453</u>
Total	<u>\$ 414,535</u>

SUPPLEMENTARY DATA

**TIFFIN CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Grant Cluster: School Breakfast Program	10.553	2013	\$ 65,267	\$ 65,267
(D)(E) National School Lunch Program-Food Donations	10.555	2013	31,271	31,271
(C)(D) National School Lunch Program	10.555	2013	448,085	448,085
Total National School Lunch Program			479,356	479,356
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			544,623	544,623
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2012	63,183	66,651
Title I Grants to Local Educational Agencies	84.010	2013	530,447	511,462
Total Title I Grant			593,630	578,113
Special Education Grants to States	84.027	2012	51,108	68,699
Special Education Grants to States	84.027	2013	634,193	620,949
Total Special Education Grants			685,301	689,648
Educational Technology State Grants	84.318	2012	3,129	3,129
School to Work Grant	17.249	2012	35,041	35,041
School to Work Grant	17.249	2013	-	2,739
Total School to Work Grant			35,041	37,780
English Language Acquisition Grant	84.365	2013	1,885	1,885
Improving Teacher Quality State Grants	84.367	2012	15,853	17,618
Improving Teacher Quality State Grants	84.367	2013	77,200	74,030
Total Improving Teacher Quality State Grants			93,053	91,648
ARRA - Race to the Top, Recovery Act	84.395A	2013	1,400	1,400
Education Jobs	84.410	2012	69,501	61,584
Total U.S. Department of Education			1,482,940	1,465,187
Total Federal Financial Assistance			\$ 2,027,563	\$ 2,009,810

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2013.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the Tiffin City School District's basic financial statements and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Tiffin City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Tiffin City School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Tiffin City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Tiffin City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Tiffin City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
November 20, 2013



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**Independent Auditor's 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
Seneca County
244 South Monroe Street
Tiffin, Ohio 44883

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Tiffin City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Tiffin City School District's major federal program for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Tiffin City School District's major federal program.

Management's Responsibility

The Tiffin City School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our compliance opinion on the Tiffin City School District's major program. However, our audit does not provide a legal determination of the Tiffin City School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Tiffin City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2013.

Board of Education
Tiffin City School District

Report on Internal Control Over Compliance

The Tiffin City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Tiffin City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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.

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 20, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<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>	Unmodified
<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>	Special Education Grants to States, CFDA #84.027
<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

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 the Tiffin City School 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 June 26, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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.
November 20, 2013



Dave Yost • Auditor of State

TIFFIN CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 21, 2014**