

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

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2017**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# 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 James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 19, 2018

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**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Board of Education  
Tiffin City School District  
Tiffin, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with 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 that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of



Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

November 11, 2017

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**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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, 2017. 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 fiscal year 2017 are as follows:

- In total, net position of governmental activities increased \$2,067,500 which represents a 52.94 percent increase from 2016.
- General revenues accounted for \$27,392,070 in revenue or 84.36 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,078,035 or 15.64 percent of total revenues of 32,470,105.
- The District had \$30,402,605 in expenses related to governmental activities; only \$5,078,035 of these expenses was offset by program specific charges for services, and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$27,392,070 were adequate to provide for these programs.
- The District’s only major governmental fund is the General Fund. The General Fund had \$28,124,524 in revenues and other financing sources and \$24,693,050 in expenditures and other financing uses. During fiscal year 2017, the General Fund’s fund balance increased \$3,431,474 from a balance of \$10,379,866 to \$13,811,340.

**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 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 2017?” The statement of net position and the statement of activities answer this question.

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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.

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 17 through 18 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 12. 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 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 19 through 23 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 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*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 26 through 68 of this report.

*Required Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 70 through 74 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position for governmental activities for fiscal year 2017 and 2016.

	<b>Net Position</b>	
	Governmental Activities	
	2017	2016
<b>ASSETS</b>		
Current and other assets	\$ 31,004,013	\$ 27,193,300
Capital assets, net	18,197,526	18,706,516
<b>Total Assets</b>	<u>49,201,539</u>	<u>45,899,816</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferral on Refunding	144,801	210,742
Pension	7,591,012	3,179,116
<b>Total Deferred Outflows of Resources</b>	<u>7,735,813</u>	<u>3,389,858</u>
<b>LIABILITIES</b>		
Current and other liabilities	2,780,541	2,819,313
Long-term liabilities:		
Due within one year	813,886	723,893
Due in more than one year:		
Net Pension Liability	38,203,720	30,464,714
Other Amounts	6,036,070	6,819,184
<b>Total Liabilities</b>	<u>47,834,217</u>	<u>40,827,104</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	10,894,410	10,346,657
Payment in Lieu of Taxes	46,796	45,497
Pension	-	1,975,987
<b>Total Deferred Inflows of Resources</b>	<u>10,941,206</u>	<u>12,368,141</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	12,530,334	12,622,954
Restricted	2,842,922	2,617,244
Unrestricted	(17,211,327)	(19,145,769)
<b>Total Net Position</b>	<u>\$ (1,838,071)</u>	<u>\$ (3,905,571)</u>

**TIFFIN CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The District has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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In accordance with GASB Statement No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$1,838,071.

At year-end, capital assets represented 36.99 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2017, was \$12,530,334. 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, \$2,842,922 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$17,211,327.

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**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The table below shows the changes in net position for governmental activities for fiscal years 2017 and 2016.

	<b>Changes in Net Position</b>	
	Governmental Activities	
	2017	2016
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 2,042,035	\$ 2,027,142
Operating grants and contributions	3,036,000	2,963,951
Capital grants and contributions	-	86,000
<b>Total Program Revenues</b>	<b>5,078,035</b>	<b>5,077,093</b>
General Revenues:		
Property taxes	11,887,041	12,080,443
Payments in lieu of taxes	46,796	45,497
Grants and entitlements not restricted to specific programs	15,178,554	14,361,245
Gifts and Donations not restricted to specific programs	15,928	33,159
Gain on Sale of Capital assets	469	783
Investment income	120,583	37,371
Miscellaneous	142,699	59,347
<b>Total General Revenues</b>	<b>27,392,070</b>	<b>26,617,845</b>
<b>Total Revenues</b>	<b>32,470,105</b>	<b>31,694,938</b>
<b>EXPENSES</b>		
Program Expenses:		
Instruction:		
Regular	12,289,382	10,731,515
Special	5,600,678	5,168,672
Vocational	229,432	159,406
Other	703,659	275,673
Supporting Services:		
Pupils	1,678,115	1,340,779
Instructional Staff	796,171	809,814
Board of Education	23,682	22,955
Administration	1,958,888	1,849,803
Fiscal Services	681,856	582,464
Business	64,894	86,325
Operation and Maintenance of Plant	2,895,707	2,653,271
Pupil Transportation	1,147,560	960,881
Central	88,882	60,962
Operation of Non-Instructional Services	1,289,958	1,125,047
Extracurricular Activities	738,199	719,306
Interest and Fiscal Charges	215,542	377,559
<b>Total Expenses</b>	<b>30,402,605</b>	<b>26,924,432</b>
Change in Net Position	2,067,500	4,770,506
Net Position - Beginning of Year	(3,905,571)	(8,676,077)
<b>Net Position - End of Year</b>	<b>\$ (1,838,071)</b>	<b>\$ (3,905,571)</b>



**TIFFIN CITY SCHOOL DISTRICT  
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Grants and Entitlements not restricted to specific programs increased due to additional school foundation funding from the State.

Instructional Expenses increased due to salaries, benefits, and the implementation of GASB 68.

**Governmental Activities**

Net position of the District's governmental activities increased \$2,067,500. Total governmental expenses of \$30,402,605 were offset by program revenues of \$5,078,035 and general revenues of \$27,392,070.

Program revenues supported 16.70 percent 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 83.36 percent of total governmental revenue. Real estate property is reappraised every six years.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.

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 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

<b>Total and Net Cost of Program Services</b>				
	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2017	2016	2017	2016
Instruction	\$ 18,823,151	\$ 16,335,266	\$ 15,931,013	\$ 13,368,093
Supporting Services:				
Pupils and Instructional Staff	2,474,286	2,150,593	1,962,124	1,821,793
Board of Education, Administration, Fiscal, and Business Services	2,729,320	2,541,547	2,729,320	2,541,547
Operation and Maintenance of Plant	2,895,707	2,653,271	2,893,408	2,599,702
Pupil Transportation	1,147,560	960,881	1,091,590	917,682
Central	88,882	60,962	88,882	60,962
Operation of Non-Instructional Services	1,289,958	1,125,047	150,581	(17,873)
Extracurricular Activities	738,199	719,306	262,110	177,874
Interest and Fiscal Charges	215,542	377,559	215,542	377,559
<b>Total Cost of Services</b>	<b>\$ 30,402,605</b>	<b>\$ 26,924,432</b>	<b>\$ 25,324,570</b>	<b>\$ 21,847,339</b>

The dependence upon tax revenues during fiscal year 2017 for governmental activities is apparent, as 84.64 percent of 2017 instruction activities are supported through taxes and other general revenues.

**TIFFIN CITY SCHOOL DISTRICT  
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**The District's Governmental Funds**

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$16,464,804, which is \$3,422,915 more than last year's total of \$13,041,889. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

<b>Governmental Fund Balances</b>				
	Fund Balance	Fund Balance	Increase	Percentage
	June 30, 2017	June 30, 2016	(Decrease)	Change
General	\$ 13,811,340	\$ 10,379,866	\$ 3,431,474	33.06%
Other Governmental	2,653,464	2,662,023	(8,559)	-0.32%
<b>Total</b>	<b>\$ 16,464,804</b>	<b>\$ 13,041,889</b>	<b>\$ 3,422,915</b>	<b>26.25%</b>

**General Fund**

The District's General Fund balance increased \$3,431,474 during 2017.

The table that follows assists in illustrating the revenues and expenditures of the General Fund.

<b>General Fund</b>				
	2017	2016	Change	
<b>REVENUES</b>				
Property Taxes	\$ 10,871,012	\$ 11,090,099	-1.98%	
Intergovernmental	15,506,836	14,558,303	6.52%	
Interest	103,480	30,825	235.70%	
Tuition	1,164,078	1,158,076	0.52%	
Extracurricular Activities	88,236	76,342	15.58%	
Rentals	2,299	4,690	-50.98%	
Contributions and Donations	15,928	33,159	-51.96%	
Transportation Fees	55,970	45,530	22.93%	
Classroom Materials and Fees	88,311	88,258	0.06%	
Payments in Lieu of Taxes	46,796	45,497	2.86%	
Contract Services	92,567	162,120	-42.90%	
Miscellaneous	88,542	42,348	109.08%	
<b>Total Revenues</b>	<b>\$ 28,124,055</b>	<b>\$ 27,335,247</b>	<b>2.89%</b>	
<b>EXPENDITURES</b>				
Instruction	\$ 16,301,301	\$ 15,212,780	7.16%	
Support Services	7,706,084	7,364,450	4.64%	
Operation of Non-Instructional Services	64	280	-77.14%	
Extracurricular Activities	376,327	376,410	-0.02%	
Capital Outlay	125,388	47,012	166.71%	
Debt Service	153,876	229,584	-32.98%	
<b>Total Expenses</b>	<b>\$ 24,663,040</b>	<b>\$ 23,230,516</b>	<b>6.17%</b>	

**TIFFIN CITY SCHOOL DISTRICT  
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The increase in intergovernmental revenue was due primarily to increases in school foundation funding from the State. All other revenues remained comparable to the prior fiscal year

Instructional expenses increased due to salaries, benefits and the implementation of GASB 68. All other expenditures remained comparable to the prior fiscal year.

***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 year 2017, the District's General Fund budget remained mainly the same. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, original and final budgeted revenues and other financing sources was \$28,619,579. Final budgeted revenues and other financing sources were \$883,744 more than actual revenues and other financing sources of \$27,735,835

General Fund original and final appropriations and other financing uses were \$26,352,194. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$25,332,658, which was \$1,019,536 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2017, the District had \$18,197,526 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

The following table shows the capital asset fiscal 2017 balances compared to 2016:

	<b>Capital Assets</b>	
	Governmental Activities	
	2017	2016
Land	\$ 2,031,437	\$ 1,965,821
Construction in Progress	186,595	-
Land Improvements	339,476	423,179
Buildings and Improvements	12,946,024	13,456,324
Furniture and Equipment	2,039,410	2,126,722
Vehicles	654,584	734,470
<b>Total Capital Assets</b>	<b>\$ 18,197,526</b>	<b>\$ 18,706,516</b>

The decrease in capital assets, net of accumulated depreciation, was primarily caused by depreciation expense of \$1,170,064 exceeding additions of \$661,074. See Note 8 to the basic financial statements for detail on the District's capital assets.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

***Debt Administration***

At June 30, 2017, the District had \$540,000 in energy conservation bonds, \$4,552,514 in refunding bonds, and \$780,000 in certificate of participation outstanding. Of the total outstanding debt, \$751,609 is due within one year and \$5,120,905 is due in greater than one year. The following table summarizes the bonds, certificates of participation, and lease obligations outstanding.

<b>Outstanding Debt at Year End</b>		
	Governmental Activities	
	2017	2016
School Improvement Refunding Bonds	\$ 4,552,514	\$ 5,116,750
Energy Conservation Bonds	540,000	575,000
Certificates of Participation	780,000	830,000
Capital Lease Obligation	-	14,375
<b>Total Outstanding Debt</b>	<b>\$ 5,872,514</b>	<b>\$ 6,536,125</b>

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

**Current Financial Related Activities**

The elected members of the Board of Education govern the public finances of the Tiffin City School District. In October and May of each fiscal year, the Treasurer of the Board prepares a five-year forecast of revenues and expenditures for its general operating fund. The forecast also includes actual amounts for three prior years.

The District's most recent forecast includes actual fiscal years 2015 through 2017. All actual years reflect balanced annual budgets with revenues exceeding expenditures, the result of several measures implemented by the District. Such measures include prior staffing reductions, closing two elementary school buildings, negotiating annual pay freezes and conservative increases, passing a new continuous operating levy, renewing the five-year permanent improvement and emergency operating levies, and implementing in-house services for special needs students rather than purchasing contracted services from an outside source. In addition to these items, state funding increases provided additional revenues in each fiscal year from 2015 through 2017.

Forecasted fiscal year 2018 also includes a balanced budget due to the continuation of conservative spending and the renewal of a 1.0 mill permanent improvement levy with an increase of 1.72 mills approved by the voters on November 8, 2016. Fiscal years 2018 thru 2020 include increases to all salary and wage schedules in order to attract and retain qualified personnel. 2020 thru 2022 reflect the loss of much-needed tax revenue when the District's emergency operating levy expires. Nonetheless, the forecast maintains a positive cash balance through the end of fiscal year 2021, which will increase if voters renew the 2004 emergency levy again as they have in 2009 and 2014.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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In regards to the District's facilities, two capital improvement projects were undertaken in fiscal year 2014, including a district-wide House Bill 264 energy improvements project and a windows replacement project at the high school. The energy project issued \$645,000 of un-voted, bonded debt from 2014 to 2028. Annual payments average \$56,357; however, annual savings of more than \$64,000 annually are guaranteed by the Brewer-Garrett Company. The windows project financed \$955,000 with a lease purchase agreement from 2014 to 2028. Annual payments average \$86,143. A former lease arrangement costing \$86,819 annually for capital improvements in 2001 matured in fiscal year 2017.

The current financial position of Tiffin City Schools allows the District to maintain its strong offering of options and opportunities that individualize instruction for all of 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.

## **Basic Financial Statements**

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 17,339,925
Taxes Receivable	12,598,883
Accounts Receivable	51,869
Intergovernmental Receivable	807,000
Inventory Held for Resale	12,011
Materials and Supplies Inventory	17,826
Prepaid Items	176,499
Nondepreciable Capital Assets	2,218,032
Depreciable Capital Assets, Net	15,979,494
<b>Total Assets</b>	<b>49,201,539</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferral on Refunding	144,801
Pension	7,591,012
<b>Total Deferred Outflows of Resources</b>	<b>7,735,813</b>
<b>LIABILITIES</b>	
Accounts Payable	272,563
Accrued Wages and Benefits	2,104,123
Intergovernmental Payable	355,922
Accrued Interest Payable	14,641
Matured Compensated Absences Payable	33,292
Long-term Liabilities:	
Due within one year	813,886
Due in more than one year:	
Net Pension Liability	38,203,720
Other Amounts	6,036,070
<b>Total Liabilities</b>	<b>47,834,217</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	10,894,410
Payments in Lieu of Taxes	46,796
<b>Total Deferred Inflows of Resources</b>	<b>10,941,206</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	12,530,334
Restricted:	
Capital Projects	256,313
Debt Service	1,059,459
Classroom Facilities Maintenance	933,830
Locally Funded Programs	66,576
State Funded Programs	14,110
Federally Funded Programs	2,688
Student Activities	163,381
Food Service	346,565
Unrestricted	(17,211,327)
<b>Total Net Position</b>	<b>\$ (1,838,071)</b>

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, 2017**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 12,289,382	\$ 1,151,189	\$ 148,150	\$ (10,990,043)
Special	5,600,678	107,797	1,426,270	(4,066,611)
Vocational	229,432	-	58,732	(170,700)
Other	703,659	-	-	(703,659)
Supporting Services:				
Pupils	1,678,115	38,491	393,939	(1,245,685)
Instructional Staff	796,171	26,260	53,472	(716,439)
Board of Education	23,682	-	-	(23,682)
Administration	1,958,888	-	-	(1,958,888)
Fiscal Services	681,856	-	-	(681,856)
Business	64,894	-	-	(64,894)
Operation and Maintenance of Plant	2,895,707	2,299	-	(2,893,408)
Pupil Transportation	1,147,560	55,970	-	(1,091,590)
Central	88,882	-	-	(88,882)
Operation of Non-Instructional Services	1,289,958	183,940	955,437	(150,581)
Extracurricular Activities	738,199	476,089	-	(262,110)
Interest and Fiscal Charges	215,542	-	-	(215,542)
<b>Total Governmental activities</b>	<b>\$ 30,402,605</b>	<b>\$ 2,042,035</b>	<b>\$ 3,036,000</b>	<b>(25,324,570)</b>

**General Revenues:**

Property Taxes levied for:		
General Purposes		10,870,656
Debt Service		696,153
Capital Outlay		186,450
Other Purposes		133,782
Payments in Lieu of Taxes		46,796
Grants & Entitlements not restricted to specific programs		15,178,554
Gifts and Donations not restricted to specific programs		15,928
Investment Income		120,583
Gain on Sale of Capital Assets		469
Miscellaneous		142,699
Total General Revenues		<u>27,392,070</u>
Change in Net Position		2,067,500
Net Position - Beginning of Year		<u>(3,905,571)</u>
<b>Net Position - End of Year</b>		<b><u>\$ (1,838,071)</u></b>

See accompanying notes to the basic financial statements.



**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 14,527,778	\$ 2,812,147	\$ 17,339,925
Inventory Held for Resale	-	12,011	12,011
Materials and Supplies Inventory	-	17,826	17,826
Accounts Receivable	13,229	38,640	51,869
Interfund Receivable	159,788	-	159,788
Intergovernmental Receivable	166,303	640,697	807,000
Prepaid Items	176,499	-	176,499
Taxes Receivable	11,531,553	1,067,330	12,598,883
<b>Total Assets</b>	<b>\$ 26,575,150</b>	<b>\$ 4,588,651</b>	<b>\$ 31,163,801</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 206,757	\$ 65,806	\$ 272,563
Accrued Wages and Benefits	1,844,468	259,655	2,104,123
Intergovernmental Payable	306,168	49,754	355,922
Matured Compensated Absences Payable	33,292	-	33,292
Interfund Payable	-	159,788	159,788
<b>Total Liabilities</b>	<b>2,390,685</b>	<b>535,003</b>	<b>2,925,688</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	9,969,706	924,704	10,894,410
Payments in Lieu of Taxes	46,796	-	46,796
Unavailable Revenue-Delinquent Property Taxes	237,015	22,313	259,328
Unavailable Revenue - Grants	-	216,619	216,619
Unavailable Revenue-Other	119,608	236,548	356,156
<b>Total Deferred Inflows of Resources</b>	<b>10,373,125</b>	<b>1,400,184</b>	<b>11,773,309</b>
<b>FUND BALANCES</b>			
Nonspendable	176,499	17,826	194,325
Restricted	-	2,865,285	2,865,285
Assigned	585,131	-	585,131
Unassigned (Deficits)	13,049,710	(229,647)	12,820,063
<b>Total Fund Balances</b>	<b>13,811,340</b>	<b>2,653,464</b>	<b>16,464,804</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 26,575,150</b>	<b>\$ 4,588,651</b>	<b>\$ 31,163,801</b>

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, 2017**

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**Total Governmental Fund Balances** \$ 16,464,804

*Amounts reported for Governmental Activities in the Statement of Net Position are different because:*

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 18,197,526

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent Property Taxes	\$	259,328	
Intergovernmental		216,619	
Other Revenues		356,156	
Total			832,103

Bond premium on the refunding of the bonds in governmental activities is deferred and to be amortized over the remaining life of the refunded bonds. (161,993)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred outflows are not reported in governmental funds:

Deferred Outflows - Pension	7,591,012		
Net Pension Liability		(38,203,720)	
Total			(30,612,708)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Refunding Bonds		(4,280,000)	
Energy Conservation Bond		(540,000)	
Certificates of Participation		(780,000)	
Accrued Interest Payable		(14,641)	
Capital Appreciation Bonds		(272,514)	
Deferral on Refunding		144,801	
Compensated Absences		(815,449)	
Total			(6,557,803)

**Net Position of Governmental Activities** \$ (1,838,071)

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, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 10,871,012	\$ 1,016,615	\$ 11,887,627
Intergovernmental	15,506,836	2,715,827	18,222,663
Interest	103,480	17,103	120,583
Tuition	1,164,078	-	1,164,078
Extracurricular Activities	88,236	308,869	397,105
Rentals	2,299	4,800	7,099
Charges for Services	-	183,940	183,940
Contributions and Donations	15,928	113,575	129,503
Transportation Fees	55,970	-	55,970
Classroom Materials and Fees	88,311	-	88,311
Payments in Lieu of Taxes	46,796	-	46,796
Contract Services	92,567	25,360	117,927
Miscellaneous	88,542	86,913	175,455
<b>Total Revenues</b>	<u>28,124,055</u>	<u>4,473,002</u>	<u>32,597,057</u>
<b>EXPENDITURES</b>			
Current:			
Instruction:			
Regular	11,412,588	197,693	11,610,281
Special	3,974,190	1,282,616	5,256,806
Vocational	220,302	-	220,302
Other	694,221	2,914	697,135
Supporting Services:			
Pupils	1,386,122	194,185	1,580,307
Instructional Staff	704,535	74,916	779,451
Board of Education	19,826	3,856	23,682
Administration	1,828,232	-	1,828,232
Fiscal Services	632,228	25,309	657,537
Business	64,054	840	64,894
Operation and Maintenance of Plant	1,885,085	255,118	2,140,203
Pupil Transportation	1,098,798	900	1,099,698
Central	87,204	-	87,204
Operation of Non-Instructional Services:			
Food Service Operations	64	739,724	739,788
Other Non-Instructional Services	-	457,799	457,799
Extracurricular Activities	376,327	341,904	718,231
Capital Outlay	125,388	166,586	291,974
Debt Service:			
Principal Retirement	99,375	230,000	329,375
Interest and Fiscal Charges	54,501	454,700	509,201
Bond Issuance Costs	-	112,112	112,112
<b>Total Expenditures</b>	<u>24,663,040</u>	<u>4,541,172</u>	<u>29,204,212</u>
Excess of Revenues Over (Under) Expenditures	<u>3,461,015</u>	<u>(68,170)</u>	<u>3,392,845</u>
<b>OTHER FINANCING SOURCES</b>			
Sale of Capital Assets	469	-	469
Refunding Debt Issued	-	4,280,000	4,280,000
Premium on Debt Issuance	-	166,201	166,201
Payment to Refunded Bond Escrow Agent	-	(4,416,600)	(4,416,600)
Transfers In	-	30,010	30,010
Transfers Out	(30,010)	-	(30,010)
<b>Total Other Financing Sources</b>	<u>(29,541)</u>	<u>59,611</u>	<u>30,070</u>
Net Change in Fund Balances	3,431,474	(8,559)	3,422,915
Fund Balances - Beginning of Year	10,379,866	2,662,023	13,041,889
<b>Fund Balances - End of Year</b>	<u>\$ 13,811,340</u>	<u>\$ 2,653,464</u>	<u>\$ 16,464,804</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, 2017**

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**Net Change in Fund Balances-Total Governmental Funds** **\$ 3,422,915**

*Amounts reported for Governmental Activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	\$ 661,074	
Depreciation	<u>(1,170,064)</u>	
Total		(508,990)

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

Delinquent Property Taxes	(586)	
Intergovernmental	(52,051)	
Other revenues	<u>(74,784)</u>	
Total		(127,421)

Repayment of bond principal are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 4,659,375

Issuance of bonds and bond premium increases liabilities in the Statement of Net Position are not reported in the governmental funds. (4,446,201)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows 1,897,127

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities. (3,248,250)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated Absences	(73,426)	
Bond Accretion	284,236	
Accrued Interest	4,939	
Amortization of Bond Premiums	269,137	
Deferred Amount on Refunding	<u>(65,941)</u>	
Total		<u>418,945</u>

**Change in Net Position of Governmental Activities** **\$ 2,067,500**

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, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Property Taxes	\$ 12,000,238	\$ 12,000,238	\$ 10,802,043	\$ (1,198,195)
Intergovernmental	14,537,960	14,537,960	15,103,019	565,059
Interest	33,908	33,908	103,480	69,572
Tuition	1,275,947	1,275,947	1,164,078	(111,869)
Extracurricular Activities	72,754	72,754	73,270	516
Rentals	5,158	5,158	2,299	(2,859)
Contributions and Donations	-	-	500	500
Transportation Fees	61,799	61,799	55,970	(5,829)
Payments in Lieu of Taxes	50,047	50,047	46,796	(3,251)
Classroom Materials and Fees	6	6	211	205
Contract Services	174,578	174,578	104,163	(70,415)
Miscellaneous	27,549	27,549	27,771	222
<b>Total Revenues</b>	<u>28,239,944</u>	<u>28,239,944</u>	<u>27,483,600</u>	<u>(756,344)</u>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	11,769,079	11,769,079	11,115,260	653,819
Special	4,252,523	4,252,523	4,176,287	76,236
Vocational	189,785	189,785	211,682	(21,897)
Other	411,969	411,969	698,116	(286,147)
Supporting Services				
Pupils	1,385,116	1,385,116	1,406,249	(21,133)
Instructional Staff	795,639	795,639	724,612	71,027
Board of Education	20,687	20,687	19,628	1,059
Administration	2,128,811	2,128,811	1,878,014	250,797
Fiscal Services	645,733	645,733	643,751	1,982
Business	100,365	100,365	64,054	36,311
Operation and Maintenance of Plant Services	2,089,237	2,089,237	2,151,507	(62,270)
Pupil Transportation	1,197,391	1,197,391	1,182,193	15,198
Central	148,532	148,532	142,269	6,263
Operation of Non-Instructional Services	327	327	64	263
Extracurricular Activities	424,537	424,537	372,044	52,493
Capital Outlay	327,850	327,850	224,194	103,656
Debt Service:				
Principal	40,800	40,800	35,000	5,800
Interest & Fiscal Charges	24,864	24,864	63,570	(38,706)
<b>Total Expenditures</b>	<u>25,953,245</u>	<u>25,953,245</u>	<u>25,108,494</u>	<u>844,751</u>
Excess of Revenues Over Expenditures	<u>2,286,699</u>	<u>2,286,699</u>	<u>2,375,106</u>	<u>88,407</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	862	862	469	(393)
Refund of Prior Year Expenditures	378,773	378,773	251,766	(127,007)
Refund of Prior Year Receipts	(398,949)	(398,949)	(309)	398,640
Advances Out	-	-	(42,640)	(42,640)
Transfers Out	-	-	(181,215)	(181,215)
<b>Total Other Financings Sources (Uses)</b>	<u>(19,314)</u>	<u>(19,314)</u>	<u>28,071</u>	<u>47,385</u>
Net Change in Fund Balance	2,267,385	2,267,385	2,403,177	135,792
Fund Balance - Beginning of Year	10,987,827	10,987,827	10,987,827	-
Prior Year Encumbrances Appropriated	463,395	463,395	463,395	-
Fund Balance - End of Year	<u>\$ 13,718,607</u>	<u>\$ 13,718,607</u>	<u>\$ 13,854,399</u>	<u>\$ 135,792</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, 2017**

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	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
<b>Assets</b>		
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$ 24,357</u>	<u>\$ 74,782</u>
<b>Liabilities</b>		
Due to Students	<u>-</u>	<u>\$ 74,782</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>24,357</u>	
Total Net Position	<u>\$ 24,357</u>	

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, 2017**

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	Private Purpose Trust
<b>Deductions</b>	
Scholarships awarded	200
<i>Change in Net Position</i>	(200)
<i>Net Position Beginning of Year</i>	24,557
<i>Net Position End of Year</i>	\$ 24,357

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, 2017**

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**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 2,869. The District employed 192 certified employees and 167 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, 2017  
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

***JOINTLY GOVERNED ORGANIZATIONS***

**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.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

***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.

**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 of resources and liabilities and deferred inflows of resources 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.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

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

**B. Fund Accounting** (Continued)

***GOVERNMENTAL FUNDS*** (Continued)

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

***PROPRIETARY FUNDS***

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

***FIDUCIARY FUNDS***

Fiduciary fund reporting focuses on net 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.

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

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

C. **Basis of Presentation and Measurement Focus** (Continued)

*Government-wide Financial Statements* (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 of resources and current liabilities and current deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. **Basis of Accounting**

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

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

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

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

**D. Basis of Accounting** (Continued)

*Revenues - Exchange and Nonexchange Transactions* (Continued)

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 Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, both the government-wide Statement of Net Position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes, intergovernmental grants, and other revenue not available. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

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

D. **Basis of Accounting** (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.



**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

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

**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.

During fiscal year 2017, investments were limited to investments in State Treasury Asset Reserve of Ohio (STAR Ohio). The School District's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$103,480, which includes \$2,453 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 5.

**G. Inventory**

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

**TIFFIN CITY SCHOOL DISTRICT  
 SENECA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (CONTINUED)**

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

G. **Inventory** (Continued)

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable 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 acquisition values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, 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:

Description	Governmental Activities Useful Lives
Land Improvements	15 years
Buildings 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.



**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

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

**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, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

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.

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

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

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

On the government-wide financial statements, issuance costs are expensed during the year in which they are incurred.

Bond premiums and discounts 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. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported on the government-wide financial statements, 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 of resources on the Statement of Net Position on the government-wide financial statements.

On the governmental and fund financial statements, bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the Statement of Net Position is presented in Note 10.

**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.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District’s Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District’s 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.

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

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

M. **Fund Balance** (Continued)

*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 of resources and liabilities and deferred inflows of resources. 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 and mental health. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. **Prepayments**

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

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

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

P. **Estimates**

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

Q. **Interfund Activity**

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

R. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

During the fiscal year, the District implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the District.

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

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NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
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NOTE 4: **ACCOUNTABILITY**

**Deficit Fund Balances**

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor Funds</u>	
Mental Health	\$ 3,000
Alternative Schools	3,006
IDEA Part-B	117,105
Title I	86,122
IDEA Preschool	2,996
Improving Teacher Quality	17,418

The General Fund is liable for any deficit 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 5: **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;

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NOTE 5: **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, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.



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 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

A. **Cash on Hand**

At fiscal year end, the District had \$3,000 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. **Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$941,019. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$522,247 of the District’s bank balance of \$1,023,250 was exposed to custodial risk as discussed below, while \$501,003 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 percent 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.

C. **Investments**

STAR Ohio is measured at net asset value per share. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The below tables identify the School District’s recurring fair value measurement as of June 30, 2017. As previously discussed Star Ohio is reported at its net asset value.

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 16,495,045	\$ 16,495,045



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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

C. **Investments** (Continued)

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

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

**Concentration of Credit Risk:** The District investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>% of Total</u>
STAR Ohio	\$ 16,495,045	100%

D. **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, 2017:

<b><u>Cash and Investments Per Note</u></b>	
Carrying Amount of Deposits	\$ 941,019
Investments	16,495,045
Cash on Hand	3,000
<b>Total</b>	<b>\$ 17,439,064</b>
<b><u>Cash and Investments per Statement of Net Position</u></b>	
Governmental Activities	\$ 17,339,925
Private-Purpose Trust Funds	24,357
Agency Funds	74,782
<b>Total</b>	<b>\$ 17,439,064</b>

**TIFFIN CITY SCHOOL DISTRICT**  
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**NOTE 6: PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District's fiscal year runs from July through June. First half tax 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2016 was \$1,278,036 in the General Fund, \$82,662 in the Bond Retirement Fund (a nonmajor governmental fund), \$21,820 in the Permanent Improvement Fund (a nonmajor governmental fund), and \$15,831 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$1,209,067 in the General Fund, \$79,278 in the Bond Retirement Fund (a nonmajor governmental fund), \$20,457 in the Permanent Improvement Fund (a nonmajor governmental fund) and \$15,090 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, 2017, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 322,664,730	92.27%	\$ 323,154,170	89.42%
Public Utility Personal	27,045,500	7.73%	38,236,160	10.58%
<b>Total</b>	<b>\$ 349,710,230</b>	<b>100.00%</b>	<b>\$ 361,390,330</b>	<b>100.00%</b>
 Tax Rate per \$1,000 of Assessed Valuation	 \$ 56.95		 \$ 56.82	

NOTE 7: **RECEIVABLES**

Receivables at June 30, 2017, 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	\$ 12,598,883
Accounts	51,869
Intergovernmental	807,000
<b>Total Governmental Activities</b>	<b>\$ 13,457,752</b>

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 \$236,548, is included in the intergovernmental receivable amount reported on the Statement of Net Position.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 1,965,821	\$ 65,616	\$ -	\$ 2,031,437
Construction in Progress	-	186,595	-	186,595
Total Capital Assets, not being depreciated	<u>1,965,821</u>	<u>252,211</u>	<u>-</u>	<u>2,218,032</u>
Capital Assets, being depreciated:				
Land Improvements	2,428,132	-	-	2,428,132
Buildings and Improvements	24,367,959	210,060	-	24,578,019
Furniture and Equipment	4,911,766	171,803	(32,601)	5,050,968
Vehicles	1,855,013	27,000	-	1,882,013
Total Capital Assets, being depreciated	<u>33,562,870</u>	<u>408,863</u>	<u>(32,601)</u>	<u>33,939,132</u>
Less Accumulated Depreciation:				
Land Improvements	(2,004,953)	(83,703)	-	(2,088,656)
Buildings and Improvements	(10,911,635)	(720,360)	-	(11,631,995)
Furniture and Equipment	(2,785,044)	(259,115)	32,601	(3,011,558)
Vehicles	(1,120,543)	(106,886)	-	(1,227,429)
Total Accumulated Depreciation	<u>(16,822,175)</u>	<u>(1,170,064)</u>	<u>32,601</u>	<u>(17,959,638)</u>
Total Capital Assets being depreciated, Net	<u>16,740,695</u>	<u>(761,201)</u>	<u>-</u>	<u>15,979,494</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 18,706,516</u>	<u>\$ (508,990)</u>	<u>\$ -</u>	<u>\$ 18,197,526</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$ 148,095
Supporting Services:		
Administration		5,334
Operation and Maintenance of Plant		801,600
Pupil Transportation		173,224
Operation of Non-Instructional Services:		
Food Service Operations		41,811
<b>Total Depreciation Expense</b>		<u>\$ 1,170,064</u>

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 9: CAPITALIZED LEASES**

In prior fiscal years, the District has entered into a capital lease for the acquisition of boilers and windows in conjunction with its energy conservation notes and House Bill 264, and for a new roof.

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 a new roof, boilers, and windows have been capitalized in the amount of \$900,000. 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 2017 fiscal year totaled \$14,375 and \$95, respectively. These amounts are reported as debt service payments of the General Fund. The lease was paid in full as of June 30, 2017.

**NOTE 10: LONG-TERM OBLIGATIONS**

A. During fiscal year 2017, the following activity occurring in the governmental activities long-term obligations.

	Balance as of 6/30/2016	Issuances	Retirements	Balance as of 6/30/2017	Amounts Due In One Year
School Improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	\$ 5,116,750	\$ 42,103	\$ (4,886,339)	\$ 272,514	\$ 146,609
School Improvement refunding bonds, 2.00 to 3.00% matures 12/01/2023	-	4,280,000	-	4,280,000	515,000
Energy Conservation Bonds	575,000	-	(35,000)	540,000	35,000
Certificates of Participation	830,000	-	(50,000)	780,000	55,000
Total Net Pension Liability	30,464,714	7,739,006	-	38,203,720	-
Capital Lease	14,375	-	(14,375)	-	-
Compensated Absences	742,023	141,605	(68,179)	815,449	62,277
Total Long-Term Obligations	<u>\$ 37,742,862</u>	<u>\$ 12,202,714</u>	<u>\$ (5,053,893)</u>	44,891,683	<u>\$ 813,886</u>
Add: unamortized premium				161,993	
Total on statement of net position				<u>\$ 45,053,676</u>	

Net pension liability is further described in Note 13.

Capital leases are described in Note 9.

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.

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

- A. 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.
- B. On May 1, 2007, the District issued school improvement 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 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 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,195,000. The current interest bonds were refunded in fiscal year 2017.

Total accreted interest of \$222,514 has been included on the Statement of Net Position. Principal and interest payments are paid from the Bond Retirement Fund (a nonmajor governmental fund).

- C. On May 1, 2017, the District issued school improvement refunding bonds, Series 2017 of \$4,280,000 with an interest rate of three percent to advance refund the callable portion of the series 2007 school improvement general obligation bonds. The net proceeds from the issuance of the general obligation bonds were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on June 1, 2017. The advance refunding met the requirements of an insubstance defeasance and the term bonds were removed from the District's government-wide financial statements.

The net carrying value of the old debt exceeded the reacquisition price by \$148,562. 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. This advance refunding was undertaken to reduce total debt service payments over the next seven years by 5.95% and resulted in an economic gain of \$257,519.

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SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

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

The following is a schedule of activity for fiscal year 2017 of the refunding bonds:

	Balance as of 6/30/2016	Issuances	Retirements	Balance as of 6/30/2017	Amounts Due In One Year
<b>Refunding Bonds, Series 2007:</b>					
Current Interest Bonds	\$ 4,485,000	\$ -	\$ (4,485,000)	\$ -	\$ -
Premium	264,929	-	(264,929)	-	-
Capital Appreciation Bonds	125,000	-	(75,000)	50,000	25,000
Accretion on Bonds	506,750	42,103	(326,339)	222,514	121,609
<b>Total Refunding Bonds, Series 2007</b>	<b>5,381,679</b>	<b>42,103</b>	<b>(5,151,268)</b>	<b>272,514</b>	<b>146,609</b>
<b>Refunding Bonds, Series 2017:</b>					
Current Interest Bonds	-	4,280,000	-	4,280,000	515,000
Premium	-	166,201	(4,208)	161,993	-
<b>Total Refunding Bonds, Series 2017</b>	<b>-</b>	<b>4,446,201</b>	<b>(4,208)</b>	<b>4,441,993</b>	<b>515,000</b>
<b>Total Refunding Bonds</b>	<b>\$ 5,381,679</b>	<b>\$ 4,488,304</b>	<b>\$ (5,155,476)</b>	<b>\$ 4,714,507</b>	<b>\$ 661,609</b>

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 515,000	\$ 61,746	\$ 576,746	\$ 25,000	\$ 135,000	\$ 160,000
2019	465,000	95,550	560,550	25,000	135,000	160,000
2020	630,000	86,250	716,250	-	-	-
2021	645,000	73,650	718,650	-	-	-
2022	655,000	60,750	715,750	-	-	-
2023-2024	1,370,000	61,950	1,431,950	-	-	-
	<b>\$ 4,280,000</b>	<b>\$ 439,896</b>	<b>\$ 4,719,896</b>	<b>\$ 50,000</b>	<b>\$ 270,000</b>	<b>\$ 320,000</b>

- D. On December 20, 2013, the District entered into a lease agreement to provide \$955,000 for the improvement and equipping of certain school buildings of the District by installations, modifications, and remodeling to reduce energy consumption. Under that agreement, which provides for fifteen consecutive one-year terms and contemplates annual renewals, the District is to make payments on June 1 and December 1 of each year through 2028 to provide for the leasing and eventual acquisition of the leased improvements and equipment. Those rental payments, which are anticipated to be made from the District's General Fund, include both principal components and interest components reflecting an interest rate of 4.20 percent per year.

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

The following is a summary of the future rental payments to be made under the agreement and the related principal and interest components:

Fiscal Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2018	\$ 55,000	\$ 32,235	\$ 87,235
2019	60,000	29,820	89,820
2020	60,000	27,300	87,300
2021	60,000	24,780	84,780
2022	60,000	22,260	82,260
2023-2027	365,000	68,460	433,460
2028-2029	120,000	5,040	125,040
	<u>\$ 780,000</u>	<u>\$ 209,895</u>	<u>\$ 989,895</u>

The renewal of the lease agreement beyond the current term and for each renewal term, and the District's obligation to pay rental payments, are subject to and dependent upon annual appropriations by the District sufficient to pay the lease payments due during that term. The District's obligation to make rental payments under the lease agreement does not constitute a debt of the District within the meaning of any constitutional or statutory limitation.

- E. On December 12, 2013, the District issued \$645,000 in energy conservation bonds (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 3.60 percent, mature on December 1, 2028 and will be paid from the General Fund. Principal and interest payments on the bonds are due on June 1 and December 1 of each year.

The following is a summary of future debt service requirements to maturity for the energy conservation bonds outstanding at June 30, 2017:

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
2018	\$ 35,000	\$ 18,810	\$ 53,810
2019	40,000	17,460	57,460
2020	40,000	16,020	56,020
2021	40,000	14,580	54,580
2022	40,000	13,140	53,140
2023-2027	235,000	41,490	276,490
2028-2029	110,000	3,960	113,960
	<u>\$ 540,000</u>	<u>\$ 125,460</u>	<u>\$ 665,460</u>



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(CONTINUED)**

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

F. **Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent 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 percent 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, 2016, are a voted debt margin of \$29,235,516 (including available funds of \$1,040,386), an unvoted debt margin of \$361,390 and an unvoted energy conservation debt margin of \$2,712,513.

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 percent 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 percent of accumulative sick leave to a maximum of 66.25 days.

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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 percent 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	
	15,000	Medical Expense	
Business Auto	1,000,000	Liability (Combined Single Limit)	
	5,000	Medical Payments	
Commercial Property	53,615,000	Blanket Buildings	2,500
	4,884,000	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	
	2,000,000	Aggregate	
Employee Benefits Liability	1,000,000	Each Claim	1,000
	3,000,000	Aggregate	
Sexual Misconduct	1,000,000	General Aggregate	5,000
	1,000,000	Each Occurrence	
	300,000	Innocent party Aggregate Defense Limit	5,000
Errors & Omissions	1,000,000	Each Wrongful Act	10,000
	1,000,000	Aggregate	
Data Processing Equipment	1,520,250	Hardware/Breakdown	500

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 (CONTINUED)**

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

A. **Property and Liability** (Continued)

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
Crime	\$	50,000 Employee Dishonesty 10,000 Bond per Employee	\$ 500 250
Flood:			
Tiffin Middle School		500,000 Building	2,000
		500,000 Contents	2,000
Athletic Complex/Maintenance		500,000 Building	2,000
		50,000 Contents	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 2017, 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.

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**(CONTINUED)**

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NOTE 13: **DEFINED BENEFIT PENSION PLAN**

A. **Net Pension Liability**

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. **Plan Description - School Employees Retirement System (SERS)**

***Plan Description*** –District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

**B. Plan Description - School Employees Retirement System (SERS)** (Continued)

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was \$498,806 for fiscal year 2017. Of this amount \$41,161 is reported as an intergovernmental payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

**C. Plan Description - State Teachers Retirement System (STRS)**

*Plan Description* – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 11.5 of the 13.0 percent member rates goes to the DC Plan and 1.5 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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(CONTINUED)**

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NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

C. **Plan Description - State Teachers Retirement System (STRS)** (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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*** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$1,398,321 for fiscal year 2017. Of this amount \$233,788 is reported as an intergovernmental payable.

D. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Related to Pensions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities.



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(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions** (Continued)

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0971476%	0.09017372%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.1022243%</u>	<u>0.09178093%</u>	
Change in Proportionate Share	<u>0.0050767%</u>	<u>0.0016072%</u>	
Proportionate Share of the Net Pension Liability	\$7,481,876	\$30,721,844	\$ 38,203,720
Pension Expense	\$897,048	\$2,351,202	\$3,248,250

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 100,913	\$ 1,241,311	\$ 1,342,224
Changes of assumptions	499,456	-	499,456
Net difference between projected and actual earnings on pension plan investments	617,146	2,550,738	3,167,884
Changes in proportion and differences	313,071	371,250	684,321
School District contributions subsequent to the measurement date	<u>498,806</u>	<u>1,398,321</u>	<u>1,897,127</u>
Total Deferred Outflows of Resources	<u>\$ 2,029,392</u>	<u>\$ 5,561,620</u>	<u>\$ 7,591,012</u>

\$1,897,127 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$429,711	\$693,754	\$1,123,465
2019	429,267	693,754	1,123,021
2020	494,203	1,672,543	2,166,746
2021	<u>177,405</u>	<u>1,103,248</u>	<u>1,280,653</u>
Total	<u>\$1,530,586</u>	<u>\$4,163,299</u>	<u>\$5,693,885</u>



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NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

**E. Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

The RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

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(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

***Discount Rate*** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$9,905,537	\$7,481,876	\$5,453,170

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NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

**F. Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	<u>3.00</u>
Total	<u>100.00 %</u>	<u>7.61 %</u>

\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

***Discount Rate*** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$40,826,834	\$30,721,844	\$22,197,689

***Changes Between Measurement Date and Report Date*** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

G. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, four seasonal student workers had elected Social Security. The School District's liability is 6.2 percent of wages paid.

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NOTE 14: **POST-EMPLOYMENT BENEFITS**

A. **School Employees Retirement System**

*Plan Description* – In addition to a cost-sharing, multiple-employer defined benefit pension plan the School Employees Retirement System (SERS) administers two post-employment benefit plans.

**Health Care Plan** - Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plan.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14 percent contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute 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 total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were \$57,187, \$49,313, and \$70,059 respectively. For fiscal year 2017, the full amount is being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

The SERS 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 financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

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NOTE 14: **POST-EMPLOYMENT BENEFITS** (Continued)

**B. State Teachers Retirement System**

*Plan Description* – STRS Ohio administers a pension plan that is comprised of a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

*Funding Policy* - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, no allocation was made to post-employment health care for the years ended June 30, 2017, June 30, 2016 and June 30, 2015. The 14.00 percent employer contribution rate is the maximum rate established under Ohio law.

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);

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

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NOTE 15: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

- (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); and,
- (d) 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	
GAAP Basis	\$ 3,431,474
Net Adjustment for Revenue Accruals	(342,301)
Net Adjustment for Expenditure Accruals	115,585
Net Adjustment for Other Financing Sources	(42,640)
Funds with Separate Legally Adopted Budgets	(2,124)
Adjustment for Encumbrances	(756,817)
Budget Basis	\$ 2,403,177

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.

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 party to legal proceeding. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.



**TIFFIN CITY SCHOOL DISTRICT  
 SENECA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (CONTINUED)**

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NOTE 16: **CONTINGENCIES** (Continued)

**C. Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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 as of June 30, 2016	\$ -
Current Year Set-Aside Requirements	462,090
Qualifying Disbursements	(433,153)
Qualifying Offsets	(205,555)
Total	\$ (176,618)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ -
Set-Aside Balance as of June 30, 2017	\$ -



**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

**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:

	Outstanding Encumbrances
General Fund	\$ 736,985
Nonmajor governmental funds	83,573
	\$ 820,558

**NOTE 19: INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

During fiscal year 2017, \$30,010 was transferred from the General Fund to Other Nonmajor Governmental Funds to provide additional resources for current operations. On the government-wide financial statements, the transfers between governmental funds of \$30,010 were eliminated since they were within governmental activities.

**B. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 159,788

On the fund financial statements, the General Fund reported an interfund receivable and the nonmajor governmental fund reported an interfund payable of \$159,788. The General Fund provided loans to the nonmajor governmental funds to eliminate negative cash balances and to provide short-term funding of operations for federal grants. The General Fund covered the cash deficits in the nonmajor governmental funds until funds are received from the grantor. The District anticipates received reimbursements from the grantor shortly after year-end.

**NOTE 20: FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily in the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(CONTINUED)**

NOTE 20: **FUND BALANCES** (Continued)

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>			
Inventories	\$ 176,499	\$ 17,826	\$ 194,325
<i>Restricted for</i>			
Food Service Operations	-	373,609	373,609
Federal Programs	-	2,570	2,570
Capital Projects	-	252,266	252,266
Classroom Facilities Maintenance	-	930,894	930,894
Debt Service	-	1,040,386	1,040,386
Auxiliary Services	-	35,603	35,603
District Managed Activities	-	163,381	163,381
Other Grants	-	66,576	66,576
<i>Total Restricted</i>	<u>-</u>	<u>2,865,285</u>	<u>2,865,285</u>
<i>Assigned to</i>			
Student Instruction	105,901	-	105,901
Student Staff and Support	435,730	-	435,730
Construction Services	43,500	-	43,500
<i>Total Assigned</i>	<u>585,131</u>	<u>-</u>	<u>585,131</u>
<i>Unassigned (Deficit)</i>	<u>13,049,710</u>	<u>(229,647)</u>	<u>12,820,063</u>
Total Fund Balances	<u>\$ 13,811,340</u>	<u>\$ 2,653,464</u>	<u>\$ 16,464,804</u>

NOTE 21: **TAX ABATEMENTS**

The City of Tiffin has entered into agreements with third parties that abate taxes otherwise payable to the District. The City provides tax abatements through Community Reinvestment Area programs. Pursuant to Ohio Revised Code Chapter 5709, the City established four Community Reinvestment Area Program districts targeting specific portions of the City for development and redevelopment. The City provides administrative approval of tax abatement for qualifying investments. For fiscal year 2017, the School District's value of the property taxes forgone amounted to \$167,618 (tax year 2015, collection year 2016) and \$183,841 (tax year 2016, collection year 2017).

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TIFFIN CITY SCHOOL DISTRICT  
 SENECA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO  
 LAST FOUR FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.1022243%	0.0971476%	0.0939050%	0.0939050%
School District's Proportionate Share of the Net Pension Liability	\$7,481,876	\$5,543,336	\$4,752,479	\$5,584,229
School District's Covered Payroll	\$3,142,907	\$2,924,651	\$2,728,701	\$2,690,007
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	238.06%	189.54%	174.17%	207.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

**TIFFIN CITY SCHOOL DISTRICT  
 SENECA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO  
 LAST FOUR FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.09178093%	0.09017372%	0.09013556%	0.09013556%
School District's Proportionate Share of the Net Pension Liability	\$ 30,721,844	\$ 24,921,378	\$ 21,924,088	\$ 26,115,830
School District's Covered Payroll	\$ 9,725,186	\$ 9,408,114	\$ 9,209,362	\$ 9,789,931
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	315.90%	264.89%	238.06%	266.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

**TIFFIN CITY SCHOOL DISTRICT  
 SENECA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO  
 LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 498,806	\$ 440,007	\$ 385,469	\$ 378,198	\$ 372,297	\$ 390,329	\$ 406,881	\$ 443,363	\$ 299,858	\$ 302,847
Contributions in Relation to the Contractually Required Contribution	<u>(498,806)</u>	<u>(440,007)</u>	<u>(385,469)</u>	<u>(378,198)</u>	<u>(372,297)</u>	<u>(390,329)</u>	<u>(406,881)</u>	<u>(443,363)</u>	<u>(299,858)</u>	<u>(302,847)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 3,562,900	\$ 3,142,907	\$ 2,924,651	\$ 2,728,701	\$ 2,690,007	\$ 2,902,074	\$ 3,236,921	\$ 3,274,468	\$ 3,047,337	\$ 3,083,982
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**TIFFIN CITY SCHOOL DISTRICT  
 SENECA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO  
 LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 1,398,321	\$ 1,361,526	\$ 1,317,136	\$ 1,197,217	\$ 1,272,691	\$ 1,361,416	\$ 1,500,845	\$ 1,493,646	\$ 1,498,508	\$ 1,442,508
Contributions in Relation to the Contractually Required Contribution	<u>(1,398,321)</u>	<u>(1,361,526)</u>	<u>(1,317,136)</u>	<u>(1,197,217)</u>	<u>(1,272,691)</u>	<u>(1,361,416)</u>	<u>(1,500,845)</u>	<u>(1,493,646)</u>	<u>(1,498,508)</u>	<u>(1,442,508)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 9,988,007	\$ 9,725,186	\$ 9,408,114	\$ 9,209,362	\$ 9,789,931	\$ 10,472,431	\$ 11,544,962	\$ 11,489,585	\$ 11,526,985	\$ 11,096,215
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Agriculture</b>				
<i>Passed through the Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
National School Breakfast Program	10.553	2017	\$ 76,445	\$ 0
National School Lunch Program	10.555	2017	<u>473,861</u>	<u>42,014</u>
<i>Total Child Nutrition Cluster</i>			<u>550,306</u>	<u>42,014</u>
<b>Total U.S. Department of Agriculture</b>			<u>550,306</u>	<u>42,014</u>
<b>U.S. Department of Education</b>				
<i>Passed through the Ohio Department of Education</i>				
<i>Title I</i>				
Title I, Grants to Local Educational Agencies	84.010	2016	95,153	0
Title I, Grants to Local Educational Agencies	84.010	2017	561,831	0
Title I, Delinquent	84.010	2016	<u>11,737</u>	<u>0</u>
<i>Total Title I</i>			<u>668,721</u>	<u>0</u>
<i>Special Education Cluster:</i>				
Special Education Grants to States	84.027	2016	131,287	0
Special Education Grants to States	84.027	2017	596,180	0
Special Education Preschool Grant	84.173	2016	7,573	0
Special Education Preschool Grant	84.173	2017	<u>29,075</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>764,115</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	2016	19,779	0
Improving Teacher Quality State Grants	84.367	2017	<u>97,229</u>	<u>0</u>
<i>Total Improving Teacher Quality State Grants</i>			<u>117,008</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>1,549,843</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,100,150</u>	<u>\$ 42,014</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Tiffin City School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Tiffin City School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Tiffin City School District.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

Tiffin City School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 2: NONCASH SUPPORT**

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of Board of Education  
Tiffin City School District  
Tiffin, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

November 11, 2017

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of Board of Education  
Tiffin City School District  
Tiffin, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

***Report on Compliance for Each Major Federal Program***

We have audited the Tiffin City School District, Seneca County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Tiffin City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

### ***Report on Internal Control over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

November 11, 2017

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2017(v)	Type of Major Program's Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list):  Child Nutrition Cluster- CFDA #10.553 and CFDA#10.555	
2017(viii)	Dollar Threshold: Type A\B Program	Type A: \$750,000 or more Type B: All others
2017(ix)	Low Risk Auditee?	Yes

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

None.

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

None.

**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO  
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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The prior audit report, as of June 30, 2016, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.





# Dave Yost • Auditor of State

TIFFIN CITY SCHOOL DISTRICT

SENECA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 1, 2018