

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008***

**PAT PENNY, TREASURER**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Tiffin City School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 16, 2009

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**TABLE OF CONTENTS**

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	14
Statement of Activities .....	15 - 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	21
Statement of Fiduciary Net Assets - Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	23
Notes to the Basic Financial Statements.....	24 - 63
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	64
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	65 - 66
Report on Compliance With Requirements Applicable to Its Major Programs and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	67 - 68
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i> .....	69 - 73
Schedule of Prior Audit Findings <i>OMB Circular A-133 § .505</i> .....	74



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

*Serving Ohio Local Governments*

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

### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Tiffin City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tiffin City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3.B, the District has reported a prior period adjustment to properly report fund balances and net assets for capital assets, receivables and fund reclassifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009 on our consideration of Tiffin City School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Independent Auditor's Report  
Tiffin City School District  
Page Two

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



Julian & Grube, Inc.  
January 30, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$885,544 which represents a 7.59% increase from 2007. The net assets at June 30, 2007 have been restated as described in Note 3.B.
- General revenues accounted for \$22,832,239 in revenue or 81.27% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,260,468 or 18.73% of total revenues of \$28,092,707.
- The District had \$27,207,163 in expenses related to governmental activities; only \$5,260,468 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$22,832,239 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$23,645,062 in revenues and other financing sources and \$21,887,158 in expenditures and other financing uses. During fiscal 2008, the general fund's fund balance increased \$1,757,904 from \$1,283,365 to \$3,041,269.
- The debt service fund had \$965,069 in revenues and \$1,055,040 in expenditures and other financing uses. During fiscal 2008, the debt service fund's fund balance decreased \$89,971 from \$904,446 to \$814,475.

**Using this Financial Report**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net assets and statement of activities can be found on pages 14 - 16 of this report.

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

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. 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 major governmental funds are the general fund and debt service fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17 - 21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-63 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. Net assets at June 30, 2007 have been restated, as described in Note 3.B. of the notes to the basic financial statements.

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities 2008	Restated Governmental Activities 2007
<b><u>Assets:</u></b>		
Current and other assets	\$ 16,640,839	\$ 18,142,345
Capital assets, net	<u>18,994,830</u>	<u>19,722,780</u>
Total assets	<u>35,635,669</u>	<u>37,865,125</u>
<b><u>Liabilities:</u></b>		
Current liabilities	11,230,546	13,725,846
Long-term liabilities	<u>11,852,308</u>	<u>12,472,008</u>
Total liabilities	<u>23,082,854</u>	<u>26,197,854</u>
<b><u>Net assets:</u></b>		
Invested in capital assets, net of related debt	8,905,901	9,255,112
Restricted	2,295,332	2,711,800
Unrestricted (deficit)	<u>1,351,582</u>	<u>(299,641)</u>
Total net assets	<u>\$ 12,552,815</u>	<u>\$ 11,667,271</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$12,552,815.

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

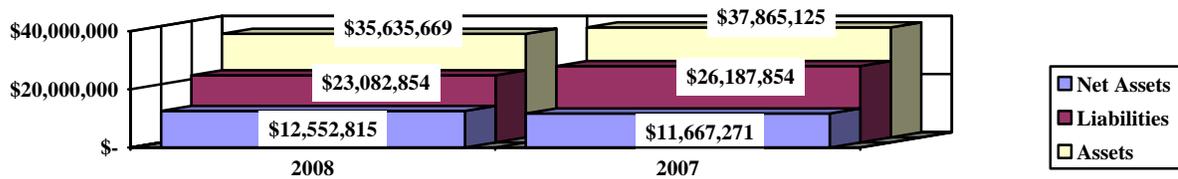
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

At year-end, capital assets represented 53.30% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and school buses and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$8,905,901. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,295,332, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,351,582 may be used to meet the District's ongoing obligations to the students and creditors.

The table below provides a summary of the District's assets, liabilities and net assets for fiscal year 2008 and 2007.

**Governmental - Net Assets**



The table below shows the changes in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

	Governmental Activities 2008	Restated Governmental Activities 2007
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 1,908,767	\$ 1,932,524
Operating grants and contributions	3,344,408	3,581,045
Capital grants and contributions	7,293	11,719
General revenues:		
Property taxes	11,834,890	11,753,096
Payment in lieu of taxes	212,592	289,251
Grants and entitlements	10,416,265	9,885,751
Investment earnings	144,171	188,655
Other	224,321	196,141
<b>Total revenues</b>	<b>28,092,707</b>	<b>27,838,182</b>

- - Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Change in Net Assets (Continued)**

	Governmental Activities 2008	Restated Governmental Activities 2007
	<u>2008</u>	<u>2007</u>
<b><u>Expenses:</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 10,742,616	\$ 10,289,682
Special	3,346,109	3,083,199
Vocational	224,010	197,849
Other	1,801,541	1,748,987
Support services:		
Pupil	1,139,822	1,174,376
Instructional staff	1,503,322	1,510,375
Board of education	40,644	230,683
Administration	1,898,490	2,046,701
Fiscal	730,718	721,510
Business	350	1,177
Operations and maintenance	2,499,035	2,734,963
Pupil transportation	716,727	873,549
Central	39,824	997
Operations of non-instructional services	476,869	565,632
Food service operations	856,416	734,066
Extracurricular activities	702,407	649,827
Interest and fiscal charges	488,263	395,525
Total	<u>27,207,163</u>	<u>26,959,098</u>
Change in net assets	885,544	879,084
Net assets at beginning of year (restated)	<u>11,667,271</u>	<u>10,788,187</u>
Net assets at end of year	<u>\$ 12,552,815</u>	<u>\$ 11,667,271</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$885,544. Total governmental expenses of \$27,207,163 were offset by program revenues of \$5,260,468, and general revenues of \$22,832,239. Program revenues supported 19.33% of the total governmental activities expenses.

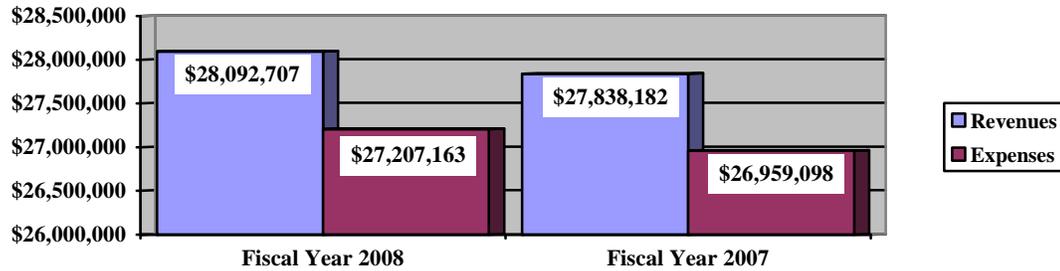
The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 79.96% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph on the following page presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

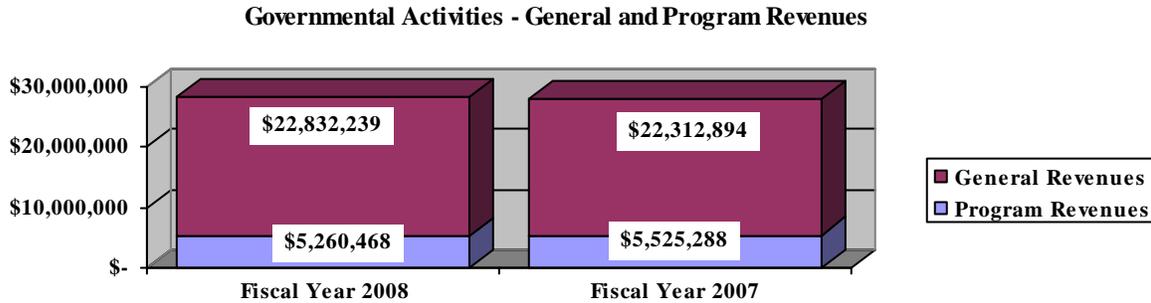
	Total Cost of Services 2008	Net Cost of Services 2008	Restated Total Cost of Services 2007	Restated Net Cost of Services 2007
Program expenses:				
Instruction:				
Regular	\$ 10,742,616	\$ 9,335,758	\$ 10,289,682	\$ 8,724,593
Special	3,346,109	2,008,893	3,083,199	1,664,482
Vocational	224,010	219,486	197,849	188,469
Other	1,801,541	1,801,541	1,748,987	1,748,987
Support services:				
Pupil	1,139,822	867,342	1,174,376	863,189
Instructional staff	1,503,322	909,697	1,510,375	938,896
Board of education	40,644	40,644	230,683	230,683
Administration	1,898,490	1,886,662	2,046,701	2,044,074
Fiscal	730,718	725,868	721,510	721,471
Business	350	350	1,177	1,177
Operations and maintenance	2,499,035	2,478,609	2,734,963	2,704,725
Pupil transportation	716,727	596,089	873,549	854,094
Central	39,824	39,824	997	(785)
Operation of non-instructional services	476,869	29,270	565,632	31,959
Food service operations	856,416	79,750	734,066	(49,736)
Extracurricular activities	702,407	438,649	649,827	372,007
Interest and fiscal charges	488,263	488,263	395,525	395,525
<b>Total expenses</b>	<u>\$ 27,207,163</u>	<u>\$ 21,946,695</u>	<u>\$ 26,959,098</u>	<u>\$ 21,433,810</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The dependence upon tax revenues during fiscal year 2008 for governmental activities is apparent, as 82.94% of 2008 instruction activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements received from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.



**The District's Governmental Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$4,362,414, which is above last year's restated total of \$2,934,970. See Note 3.B. for detail on the restatement of fund balances. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Restated Fund Balance <u>June 30, 2007</u>	Increase (Decrease)
General	\$ 3,041,269	\$ 1,283,365	\$1,757,904
Debt service	814,475	904,446	(89,971)
Other governmental	<u>506,670</u>	<u>747,159</u>	<u>(240,489)</u>
Total	<u>\$ 4,362,414</u>	<u>\$ 2,934,970</u>	<u>\$1,427,444</u>

**General Fund**

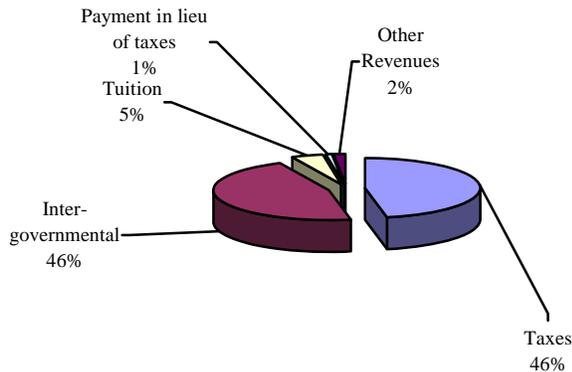
The District's general fund balance increased \$1,757,904 during 2008. Investment income decreased due to a decrease on the interest rates of the District's investments. Intergovernmental revenue increased due to reimbursements received from the State to compensate the District for the lost tangible personal property tax revenue under HB 66. Tax revenue increased as a result in the increase in taxes being collected by the county auditor and available as an advance at fiscal year end 2008 versus 2007. The amount of taxes collected and available as an advance is recorded as tax revenue on a GAAP basis and can vary depending upon when tax bills are sent out by the County Auditor. Payments in lieu of taxes decreased as the District was entitled to less of these payments in fiscal year 2008 versus 2007.

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

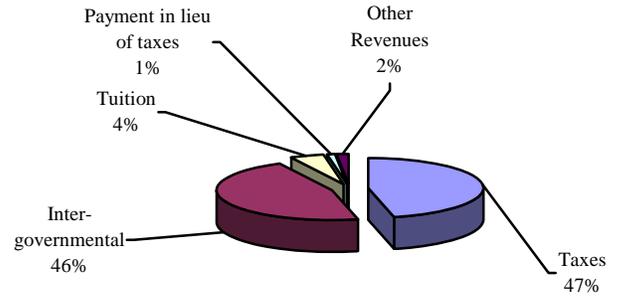
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	2008 <u>Amount</u>	2007 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 11,115,543	\$ 10,531,313	5.55 %
Intergovernmental	10,874,070	10,486,147	3.70 %
Investment income	143,238	187,678	(23.68) %
Tuition	1,076,812	1,016,814	5.90 %
Transportation fees	40,109	39,529	1.47 %
Extracurricular	900	100	800.00 %
Classroom materials and fees	1,755	360	387.50 %
Payment in lieu of taxes	212,592	289,250	(26.50) %
Other revenues	<u>177,724</u>	<u>138,681</u>	28.15 %
<b>Total</b>	<b><u>\$ 23,642,743</u></b>	<b><u>\$ 22,689,872</u></b>	4.20 %

**Revenues - Fiscal Year 2008**



**Revenues - Fiscal Year 2007**



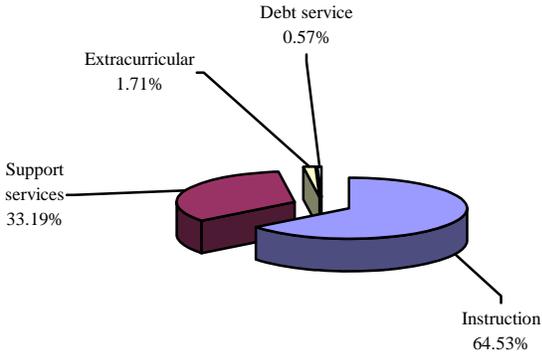
The table that follows assists in illustrating the expenditures of the general fund. The District's most significant increase occurred in instruction expenditures. This is due to normal and customary wage and benefit increases for the District's instructional staff. Support expenditures decreased due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

	2008 <u>Amount</u>	2007 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 14,119,455	\$ 13,406,546	5.32 %
Support services	7,261,443	7,611,184	(4.60) %
Extracurricular activities	373,978	342,860	9.08 %
Facilities acquisition and construction	-	362	(100.00) %
Debt service	<u>125,318</u>	<u>118,083</u>	6.13 %
<b>Total</b>	<b><u>\$ 21,880,194</u></b>	<b><u>\$ 21,479,035</u></b>	1.87 %

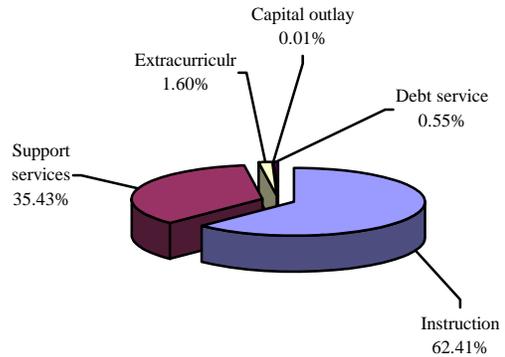
**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Expenditures - Fiscal Year 2008**



**Expenditures - Fiscal Year 2007**



***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 2008, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$21,338,312. Final budgeted revenues and other financing sources of \$21,500,000 were \$625,645 below actual revenues and other financing sources of \$22,125,645.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$21,748,461 and final appropriations were \$22,694,467. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$22,000,000, which was \$621,419 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2008, the District had \$21,012,697 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. 2007 capital asset balances were restated as described in Note 3.B in the notes to the basic financial statements. The following table shows fiscal 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	Restated 2007
Land	\$ 1,946,021	\$ 1,946,021
Land improvements	740,932	872,541
Building and improvements	14,793,336	15,214,704
Furniture and equipment	1,252,153	1,432,945
Vehicles	262,388	256,569
Total	\$ 18,994,830	\$ 19,722,780

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

*Debt Administration*

At June 30, 2007 the District had \$2,460,000 in general obligation bonds, \$6,067,510 in refunding bonds, \$636,318 in energy conservation notes and \$647,610 in capital lease obligations outstanding. Of the total outstanding debt, \$642,545 is due within one year and \$9,168,893 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

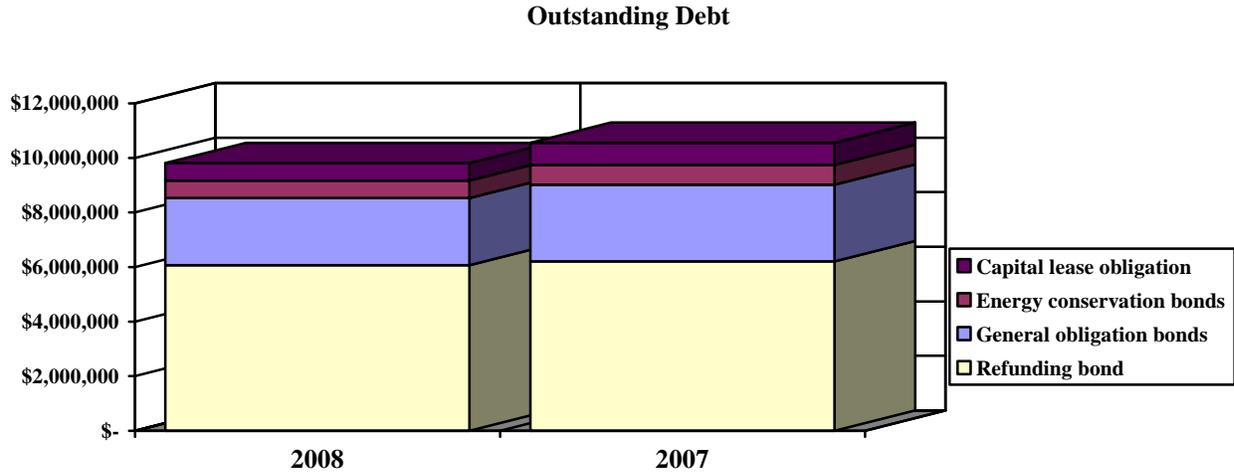
**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Energy conservation notes	\$ 636,318	\$ 716,375
School improvement general obligation bonds	2,460,000	2,815,000
School improvement refunding bonds	6,067,510	6,204,606
Capital lease obligation	647,610	736,292
Total	\$ 9,811,438	\$ 10,472,273

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The following graphs show the breakdown of outstanding debt by category for 2008 and 2007.



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

**Current Financial Related Activities**

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

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

State law fixes the amount of budget increases, forcing it to remain nearly constant. Thus management must diligently plan expenses, staying carefully within the District's five-year forecast. As part of the District's cost saving initiatives, the District refinanced the Series 2001 general obligation bonds during fiscal year 2007 to reduce total debt service payments over the next 18 years by 6.16% and resulted in an economic gain of \$381,861.

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

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Tiffin City Schools Digital Academy</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 4,798,441	\$ 193,949
Cash with fiscal agent. . . . .	994	-
Receivables:		
Taxes . . . . .	10,632,013	-
Accounts . . . . .	14,761	-
Intergovernmental . . . . .	962,902	10,787
Prepayments . . . . .	100,236	-
Materials and supplies inventory. . . . .	18,858	-
Unamortized bond issue costs . . . . .	112,634	-
Capital assets:		
Land . . . . .	1,946,021	-
Depreciable capital assets, net . . . . .	17,048,809	23,350
Total capital assets . . . . .	18,994,830	23,350
Total assets. . . . .	35,635,669	228,086
<b>Liabilities:</b>		
Accounts payable. . . . .	117,578	179
Accrued wages and benefits . . . . .	1,851,490	-
Pension obligation payable. . . . .	566,746	-
Intergovernmental payable . . . . .	154,284	11,196
Unearned revenue . . . . .	8,168,739	-
Accrued interest payable . . . . .	46,709	-
Notes payable . . . . .	325,000	-
Long-term liabilities:		
Due within one year. . . . .	937,553	-
Due in more than one year . . . . .	10,914,755	-
Total liabilities . . . . .	23,082,854	11,375
<b>Net assets:</b>		
Invested in capital assets, net of related debt. . . . .	8,905,901	23,350
Restricted for:		
Capital projects . . . . .	549,824	-
Classroom facilities maintenance . . . . .	83,552	-
Debt service. . . . .	1,260,661	-
Locally funded programs . . . . .	11,627	-
State funded programs . . . . .	55,969	9,268
Federally funded programs . . . . .	994	12,375
Student activities . . . . .	97,271	-
Other purposes. . . . .	235,434	-
Unrestricted . . . . .	1,351,582	171,718
Total net assets . . . . .	\$ 12,552,815	\$ 216,711

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, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 10,742,616	\$ 1,151,939	\$ 254,919	\$ -
Special . . . . .	3,346,109	-	1,337,216	-
Vocational . . . . .	224,010	-	4,524	-
Other . . . . .	1,801,541	-	-	-
Support services:				
Pupil. . . . .	1,139,822	103,868	168,612	-
Instructional staff . . . . .	1,503,322	-	593,625	-
Board of education. . . . .	40,644	-	-	-
Administration. . . . .	1,898,490	-	11,828	-
Fiscal. . . . .	730,718	-	4,850	-
Business. . . . .	350	-	-	-
Operations and maintenance . . . . .	2,499,035	20,426	-	-
Pupil transportation. . . . .	716,727	40,109	73,236	7,293
Central . . . . .	39,824	-	-	-
Operation of non-instructional services . . . . .				
	476,869	-	447,599	-
Food service operations . . . . .	856,416	345,812	430,854	-
Extracurricular activities. . . . .	702,407	246,613	17,145	-
Interest and fiscal charges . . . . .	488,263	-	-	-
Total governmental activities . . . . .	<u>\$ 27,207,163</u>	<u>\$ 1,908,767</u>	<u>\$ 3,344,408</u>	<u>\$ 7,293</u>
<b>Component unit:</b>				
Tiffin City Schools Digital Academy . . . . .	<u>\$ 294,587</u>	<u>\$ -</u>	<u>\$ 42,828</u>	<u>\$ -</u>
Total component unit . . . . .	<u>\$ 294,587</u>	<u>\$ -</u>	<u>\$ 42,828</u>	<u>\$ -</u>

**General revenues:**

Property taxes levied for:
General purposes . . . . .
Special revenue. . . . .
Debt service. . . . .
Capital projects . . . . .
Payments in lieu of taxes. . . . .
Grants and entitlements not restricted to specific programs . . . . .
Investment earnings . . . . .
Miscellaneous . . . . .

Total general revenues . . . . .

Change in net assets . . . . .

**Net assets at beginning of year (restated). . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Primary Government</b>	<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Tiffin City Schools Digital Academy</b>
\$ (9,335,758)	\$ -
(2,008,893)	-
(219,486)	-
(1,801,541)	-
(867,342)	-
(909,697)	-
(40,644)	-
(1,886,662)	-
(725,868)	-
(350)	-
(2,478,609)	-
(596,089)	-
(39,824)	-
(29,270)	-
(79,750)	-
(438,649)	-
(488,263)	-
(21,946,695)	-
-	(251,759)
-	(251,759)
10,646,380	-
154,098	-
822,296	-
212,116	-
212,592	-
10,416,265	250,421
144,171	-
224,321	77
22,832,239	250,498
885,544	(1,261)
11,667,271	217,972
\$ 12,552,815	\$ 216,711

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 2,672,744	\$ 653,694	\$ 1,236,569	\$ 4,563,007
Cash with fiscal agent . . . . .	-	-	994	994
Receivables:				
Taxes . . . . .	9,554,603	745,012	332,398	10,632,013
Accounts . . . . .	13,761	-	1,000	14,761
Intergovernmental . . . . .	213,073	478,309	271,520	962,902
Interfund loans . . . . .	254,328	-	-	254,328
Due from other funds . . . . .	53,998	-	-	53,998
Prepayments . . . . .	100,236	-	-	100,236
Materials and supplies inventory. . . . .	-	-	18,858	18,858
Restricted assets:				
Equity in pooled cash and cash equivalents. . . . .	235,434	-	-	235,434
Total assets. . . . .	<u>\$ 13,098,177</u>	<u>\$ 1,877,015</u>	<u>\$ 1,861,339</u>	<u>\$ 16,836,531</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 84,029	\$ -	\$ 33,549	\$ 117,578
Accrued wages and benefits . . . . .	1,596,812	-	254,678	1,851,490
Compensated absences payable . . . . .	160,350	-	2,936	163,286
Pension obligation payable. . . . .	466,050	-	100,696	566,746
Due to other funds . . . . .	-	-	53,998	53,998
Intergovernmental payable . . . . .	135,281	-	19,003	154,284
Interfund loan payable . . . . .	-	-	254,328	254,328
Deferred revenue . . . . .	273,438	490,136	52,335	815,909
Unearned revenue. . . . .	7,340,948	572,404	255,387	8,168,739
Accrued interest payable . . . . .	-	-	2,759	2,759
Notes payable. . . . .	-	-	325,000	325,000
Total liabilities . . . . .	<u>10,056,908</u>	<u>1,062,540</u>	<u>1,354,669</u>	<u>12,474,117</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	354,155	-	83,363	437,518
Reserved for textbooks. . . . .	235,434	-	-	235,434
Reserved for materials and supplies. . . . .	-	-	18,858	18,858
Reserved for debt service. . . . .	-	653,694	-	653,694
Reserved for property tax unavailable for appropriation . . . . .	2,061,973	160,781	71,734	2,294,488
Reserved for prepayments . . . . .	100,236	-	-	100,236
Unreserved, undesignated, reported in:				
General fund . . . . .	289,471	-	-	289,471
Special revenue funds. . . . .	-	-	165,787	165,787
Capital projects funds. . . . .	-	-	166,928	166,928
Total fund balances . . . . .	<u>3,041,269</u>	<u>814,475</u>	<u>506,670</u>	<u>4,362,414</u>
Total liabilities and fund balances . . . . .	<u>\$ 13,098,177</u>	<u>\$ 1,877,015</u>	<u>\$ 1,861,339</u>	<u>\$ 16,836,531</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$ 4,362,414
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,994,830
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 168,786	
Intergovernmental receivable	<u>647,123</u>	
Total		815,909
Accrued interest payable is not due and payable within the current period, therefore it is not reported in the funds.		(43,950)
Unamortized premiums on bond issuance are not recognized in the funds.		(550,697)
Unamortized bond issuance costs are not recognized in the funds.		112,634
Unamortized deferred charges on refundings are not recognized in the funds.		438,062
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(2,460,000)	
School improvement refunding bonds	(6,067,510)	
Energy conservation notes	(636,318)	
Capital lease obligation	(647,610)	
Compensated absences	<u>(1,764,949)</u>	
Total		<u>(11,576,387)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 12,552,815</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 11,115,543	\$ 856,833	\$ 381,993	\$ 12,354,369
Tuition . . . . .	1,076,812	-	-	1,076,812
Transportation fees . . . . .	40,109	-	-	40,109
Earnings on investments . . . . .	143,238	724	9,089	153,051
Charges for services . . . . .	-	-	345,812	345,812
Extracurricular . . . . .	900	-	345,881	346,781
Classroom materials and fees . . . . .	1,755	-	71,572	73,327
Payments in lieu of taxes . . . . .	212,592	-	-	212,592
Other local revenues . . . . .	177,724	23,235	144,461	345,420
Intergovernmental - Intermediate . . . . .	2,500	-	33,633	36,133
Intergovernmental - State . . . . .	10,871,570	84,277	678,217	11,634,064
Intergovernmental - Federal . . . . .	-	-	1,991,855	1,991,855
Total revenue . . . . .	<u>23,642,743</u>	<u>965,069</u>	<u>4,002,513</u>	<u>28,610,325</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	9,518,455	-	783,799	10,302,254
Special . . . . .	2,593,720	-	658,383	3,252,103
Vocational . . . . .	205,739	-	-	205,739
Other . . . . .	1,801,541	-	-	1,801,541
Support services:				
Pupil . . . . .	823,590	-	256,838	1,080,428
Instructional staff . . . . .	863,926	-	600,096	1,464,022
Board of education . . . . .	40,644	-	-	40,644
Administration . . . . .	1,821,138	-	14,965	1,836,103
Fiscal . . . . .	716,575	13,557	9,107	739,239
Business . . . . .	350	-	-	350
Operations and maintenance . . . . .	2,268,497	-	103,619	2,372,116
Pupil transportation . . . . .	687,818	-	35,220	723,038
Central . . . . .	38,905	-	-	38,905
Operation of non-instructional services . . . . .	-	-	522,697	522,697
Food service operations . . . . .	-	-	809,360	809,360
Extracurricular activities . . . . .	373,978	-	280,945	654,923
Facilities acquisition and construction . . . . .	-	-	199,767	199,767
Debt service:				
Principal retirement . . . . .	88,682	615,057	-	703,739
Interest and fiscal charges . . . . .	36,636	401,426	170	438,232
Total expenditures . . . . .	<u>21,880,194</u>	<u>1,030,040</u>	<u>4,274,966</u>	<u>27,185,200</u>
Excess of revenues over expenditures . . . . .	<u>1,762,549</u>	<u>(64,971)</u>	<u>(272,453)</u>	<u>1,425,125</u>
<b>Other financing sources (uses):</b>				
Sale of assets . . . . .	2,319	-	-	2,319
Transfers in . . . . .	-	-	31,964	31,964
Transfers (out) . . . . .	(6,964)	(25,000)	-	(31,964)
Total other financing sources (uses) . . . . .	<u>(4,645)</u>	<u>(25,000)</u>	<u>31,964</u>	<u>2,319</u>
Net change in fund balances . . . . .	1,757,904	(89,971)	(240,489)	1,427,444
<b>Fund balances at beginning of year (restated)</b>	1,283,365	904,446	747,159	2,934,970
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,041,269</u>	<u>\$ 814,475</u>	<u>\$ 506,670</u>	<u>\$ 4,362,414</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, 2008

**Net change in fund balances - total governmental funds** \$ 1,427,444

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

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

Capital asset additions	\$ 284,748	
Current year depreciation	(1,012,698)	
Total		(727,950)

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

Delinquent property taxes	(519,479)	
Intergovernmental	(458)	
Total		(519,937)

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

703,739

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:

Increase in accrued interest payable	(7,127)	
Accreted interest on "capital appreciation bonds"	(42,904)	
Amortization of bond issuance costs	(7,306)	
Amortization of bond premiums	35,721	
Amortization of deferred charges on refundings	(28,415)	
Total		(50,031)

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

52,279

**Change in net assets of governmental activities** \$ 885,544

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 9,210,933	\$ 9,228,667	\$ 9,550,795	\$ 322,128
Tuition . . . . .	1,038,494	1,040,493	1,076,812	36,319
Transportation fees . . . . .	33,604	33,669	34,844	1,175
Earnings on investments . . . . .	138,284	138,550	143,386	4,836
Extracurricular . . . . .	868	870	900	30
Classroom materials and fees . . . . .	1,693	1,696	1,755	59
Payments in lieu of taxes . . . . .	205,027	205,422	212,592	7,170
Other local revenues . . . . .	189,509	189,873	196,501	6,628
Intergovernmental - Intermediate . . . . .	2,411	2,416	2,500	84
Intergovernmental - State . . . . .	10,396,641	10,537,263	10,780,253	242,990
Total revenue . . . . .	<u>21,217,464</u>	<u>21,378,919</u>	<u>22,000,338</u>	<u>621,419</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	9,207,793	9,119,933	9,418,322	(298,389)
Special . . . . .	2,532,899	2,590,811	2,590,811	-
Vocational . . . . .	200,792	207,565	205,383	2,182
Other . . . . .	1,795,110	1,836,154	1,836,154	-
Support services:				
Pupil . . . . .	813,106	831,697	831,697	-
Instructional staff . . . . .	868,388	899,192	888,243	10,949
Board of education . . . . .	41,759	42,714	42,714	-
Administration . . . . .	1,871,374	1,896,266	1,914,161	(17,895)
Fiscal . . . . .	704,614	720,724	720,724	-
Business . . . . .	893	913	913	-
Operations and maintenance . . . . .	2,412,649	2,509,354	2,467,812	41,542
Pupil transportation . . . . .	714,111	746,329	730,438	15,891
Central . . . . .	36,137	36,963	36,963	-
Extracurricular activities . . . . .	359,385	367,602	367,602	-
Facilities acquisition and construction . . . . .	84,878	86,819	86,819	-
Total expenditures . . . . .	<u>21,643,888</u>	<u>21,893,036</u>	<u>22,138,756</u>	<u>(245,720)</u>
Deficiency of revenues under expenditures . . . . .	<u>(426,424)</u>	<u>(514,117)</u>	<u>(138,418)</u>	<u>375,699</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	22,170	22,213	22,988	775
Sale of assets . . . . .	2,236	2,241	2,319	78
Transfers (out) . . . . .	(6,808)	(6,964)	(6,964)	-
Advances in . . . . .	96,442	96,627	100,000	3,373
Advances (out) . . . . .	(97,765)	(100,000)	(100,000)	-
Total other financing sources (uses) . . . . .	<u>16,275</u>	<u>14,117</u>	<u>18,343</u>	<u>4,226</u>
Net change in fund balance . . . . .	(410,149)	(500,000)	(120,075)	379,925
<b>Fund balance at beginning of year . . . . .</b>	<b>2,384,975</b>	<b>2,384,975</b>	<b>2,384,975</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>248,461</b>	<b>248,461</b>	<b>248,461</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 2,223,287</u></b>	<b><u>\$ 2,133,436</u></b>	<b><u>\$ 2,513,361</u></b>	<b><u>\$ 379,925</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarships</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents and investments . . . . .	\$ 29,069	\$ 49,897
Total assets . . . . .	29,069	\$ 49,897
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 544
Due to students. . . . .	-	49,353
Total liabilities . . . . .	-	\$ 49,897
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	29,069	
Total net assets. . . . .	\$ 29,069	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TIFFIN CITY SCHOOL DISTRICT**  
**SENECA COUNTY, OHIO**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest . . . . .	\$ 3,306
Contributions and donations. . . . .	250
	3,556
Total additions . . . . .	3,556
<b>Deductions:</b>	
Scholarships awarded . . . . .	100
	3,456
Change in net assets . . . . .	3,456
<b>Net assets at beginning of year. . . . .</b>	<b>25,613</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 29,069</b>

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, 2008**

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

The Tiffin City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership (ADM) was 2,896. The District employed 217 certificated employees and 153 non-certificated employees. The District ranks as the 168th largest by enrollment among the 896 public and community school districts in the State.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following component unit and other organizations are described due to their relationship to the District:

*COMPONENT UNIT*

Tiffin City Schools Digital Academy

The Tiffin City Schools Digital Academy (the "Digital Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Digital Academy is a new conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The Digital Academy is governed by a five member Board of Directors. The District appoints three of the five directors. The Digital Academy Board of Directors may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Digital Academy; therefore, the financial activity of the Digital Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Digital Academy at 244 South Monroe Street, Tiffin, OH 44883.

*JOINTLY GOVERNED ORGANIZATION*

Northern Ohio Educational Computer Association (NOECA)

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

*INSURANCE PURCHASING POOLS*

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

*Debt Service Fund* - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) for food service operations.

*PROPRIETARY FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*FIDUCIARY FUNDS*

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

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

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**D. Basis of Accounting**

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the governmental funds.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

**E. Budgets**

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

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

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

**F. Cash and Investments**

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

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

During fiscal year 2008, investments were limited to repurchase agreements and shares of common stock. Except for nonparticipating investment contracts investments are reported at fair value which is based on quoted market prices. Investment contracts, such as repurchase agreements, are reported at cost.

While common stock is not an allowable investment according to State statute, the District has been endowed with a gift of stock to its private-purpose trust fund. No public funds were used to acquire the stock. At the time the common stock was endowed to the District its value was \$1,383. Due to changes in fair value, at June 30, 2008, the common stock has increased in value by \$3,197.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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 2008 amounted to \$143,238, which includes \$58,037 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2008, the District decreased its capitalization threshold from \$2,500 to \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

**I. Interfund Balances**

On 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 columns of the statement of net assets.

Interfund loans that are used to cover negative cash balances or are due to another fund for services provided are classified as “due to/from other funds.” These amounts are eliminated in the governmental activities column of the statement of net assets.

**J. Compensated Absences**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

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

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

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

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**N. Net Assets**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Restricted Assets**

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

**R. Interfund Activity**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Fund Reclassification and Restatement of Fund Balance and Net Assets**

A fund reclassification is required to report funds previously reported as nonmajor enterprise funds as a nonmajor special revenue funds. This fund reclassification had the following effect on the District's governmental fund balances and nonmajor enterprise fund net assets as previously reported:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>	<u>Nonmajor Enterprise</u>
Fund balance/net assets as previously reported	\$1,283,365	\$ 904,446	\$ 472,020	\$ 2,659,831	\$ 250,178
Fund reclassification:					
Net assets of nonmajor enterprise funds at June 30, 2007	-	-	250,178	250,178	(250,178)
Capital assets	-	-	(10,152)	(10,152)	-
Long-term liabilities	-	-	35,113	35,113	-
Net fund reclassification	<u>-</u>	<u>-</u>	<u>275,139</u>	<u>275,139</u>	<u>(250,178)</u>
Restated fund balance at July 1, 2007	<u>\$1,283,365</u>	<u>\$ 904,446</u>	<u>\$ 747,159</u>	<u>\$ 2,934,970</u>	<u>\$ -</u>

During fiscal year 2008, the District had a reappraisal of capital assets. The District's net assets have been restated to account for the reappraisal. See Note 8 for detail. The District's net assets have also been restated in order to properly present a receivable due to the transfer of property to the Buckeye Central Local School District in a prior year. See Note 7 for detail. The fund reclassification, receivable adjustment and restatement for capital assets had the following effect on the governmental activities and business-type activities net assets as previously reported:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets at June 30, 2007	\$ 19,077,890	\$ 250,178
Adjustment for capital assets	(8,149,500)	-
Receivable adjustment	498,855	-
Fund reclassification	<u>240,026</u>	<u>(250,178)</u>
Restated net assets at July 1, 2007	<u>\$ 11,667,271</u>	<u>\$ -</u>

**C. Noncompliance**

- i. The District is in noncompliance with Ohio Revised Code Section 117.38 which requires the annual GAAP report to be filed within one hundred fifty days after close of fiscal year.
- ii. The District had expenditures in excess of appropriations in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.
- iii. The District had appropriations exceeding estimated resources in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**D. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Entry year grant	\$ 47
Ohio reads	4,465
Alternative schools	12,893
Poverty aid	14,561
Title VI-B	54,284
Limited english proficiency	4,391
Title I	60,756
Title V	6,131
Emergency school repair	4,260
Drug free schools	5,164
Classroom reduction	62,006
Miscellaneous federal grants	55,780
Building	318,984

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in such securities described are made only through eligible institutions;
6. The State Treasurer's investment pool 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.

**A. Cash on Hand**

At year-end, the District had \$1,500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents and investments."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Cash with Fiscal Agent**

At fiscal year-end, the District had \$994 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the financial statements as “cash with fiscal agent”. The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 40.

**C. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$210,327, exclusive of the \$4,661,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$187,260 of the District’s bank balance of \$287,260 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

**D. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities 6 months or less</u>
Repurchase agreement	\$ 4,661,000	\$ 4,661,000
Stock	4,580	4,580
Total	<u>\$ 4,665,580</u>	<u>\$ 4,665,580</u>

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

*Credit Risk:* The District’s investment in stock were rated BB+ and Baa2 by Standard & Poor’s and Moody’s Investor Services, respectively. The federal agency securities that underlie the District’s repurchase agreement were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the District's \$4,661,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
Repurchase agreement	\$ 4,661,000	99.90
Stock	<u>4,580</u>	<u>0.10</u>
Total	<u>\$ 4,665,580</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 210,327
Investments	4,665,580
Cash with fiscal agent	994
Cash on hand	<u>1,500</u>
Total	<u>\$ 4,878,401</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,799,435
Private-purpose trust funds	29,069
Agency funds	<u>49,897</u>
Total	<u>\$ 4,878,401</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund loans receivable/payable for the fiscal year ended June 30, 2008 as reported on the fund statements, consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 254,328

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

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

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$	6,964
Nonmajor governmental fund		25,000

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

The \$25,000 transfer from the debt service fund to the permanent improvement fund, a nonmajor governmental fund, was required to report the retirement of notes payable which, for GAAP purposes, are reported as a fund liability of the permanent improvement fund (see Note 11).

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

C. At June 30, 2008, the following funds had negative cash balances. These fund overdrafts of the internal investment pool are reported as a fund liability.

<u>Major fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 53,998	\$ -
<u>Nonmajor governmental funds</u>		
Poverty aid	-	11,319
Title VI-B	-	29,871
Limited english proficiency	-	4,212
Title VI	-	3,216
Classroom reduction	-	5,380
Total	<u>\$ 53,998</u>	<u>\$ 53,998</u>

Amounts due to/from other funds between governmental funds have been eliminated for reporting on the government-wide statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$2,061,973 in the general fund, \$160,781 in the debt service fund, \$41,569 in the permanent improvement fund, a nonmajor governmental fund and \$30,165 in the middle school maintenance fund, a nonmajor governmental fund. The amount that was available as an advance at June 30, 2007 was \$497,225 in the general fund, \$37,133 in the debt service fund, \$9,817 in the permanent improvement fund, a nonmajor governmental fund and \$7,046 in the middle school maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility	\$ 337,904,730	94.76	\$ 339,795,670	97.35
Tangible personal property	<u>18,670,058</u>	<u>5.24</u>	<u>9,251,333</u>	<u>2.65</u>
Total	<u>\$ 356,574,788</u>	<u>100.00</u>	<u>\$ 349,047,003</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 52.55		\$ 54.15	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 10,632,013
Accounts	14,761
Intergovernmental	<u>962,902</u>
Total governmental activities	<u>\$ 11,609,676</u>

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

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

This receivable, in the amount of \$478,309, is included in the intergovernmental receivable amount reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS**

Capital assets have been restated to account for a reappraisal of capital assets during fiscal year 2008. The restatement decreased the net capital asset balance of the governmental activities by \$8,149,500 at June 30, 2007 and decreased the net capital asset balance of the business-type activities by \$10,152 at June 30, 2007.

	Balance <u>June 30, 2007</u>	<u>Adjustments</u>	Restated Balance <u>June 30, 2007</u>
<b>Governmental activities:</b>			
Capital assets, not being depreciated:			
Land	\$ 3,963,888	\$(2,017,867)	\$ 1,946,021
Total capital assets, not being depreciated	<u>3,963,888</u>	<u>(2,017,867)</u>	<u>1,946,021</u>
Capital assets, being depreciated:			
Land improvements	2,028,136	-	2,028,136
Buildings and improvements	24,829,573	(3,305,528)	21,524,045
Furniture and equipment	6,552,440	(3,246,917)	3,305,523
School buses and vehicles	<u>1,813,171</u>	<u>(885,758)</u>	<u>927,413</u>
Total capital assets, being depreciated	<u>35,223,320</u>	<u>(7,438,203)</u>	<u>27,785,117</u>
Less: accumulated depreciation			
Land improvements	(1,154,645)	(950)	(1,155,595)
Buildings and improvements	(3,125,730)	(3,183,611)	(6,309,341)
Furniture and equipment	(5,457,359)	3,584,781	(1,872,578)
School buses and vehicles	<u>(1,577,194)</u>	<u>906,350</u>	<u>(670,844)</u>
Total accumulated depreciation	<u>(11,314,928)</u>	<u>1,306,570</u>	<u>(10,008,358)</u>
Governmental activities capital assets, net	<u>\$ 27,872,280</u>	<u>\$(8,149,500)</u>	<u>\$ 19,722,780</u>
<b>Business-type activities:</b>			
Capital assets, being depreciated:			
Furniture/equipment	\$ 383,512	\$ (383,512)	\$ -
Less: accumulated depreciation	<u>(373,360)</u>	<u>373,360</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 10,152</u>	<u>\$(10,152)</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,946,021	\$ -	\$ -	\$ 1,946,021
Total capital assets, not being depreciated	<u>1,946,021</u>	<u>-</u>	<u>-</u>	<u>1,946,021</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,028,136	4,000	-	2,032,136
Building and improvements	21,524,045	18,045	-	21,542,090
Furniture and equipment	3,305,523	179,833	-	3,485,356
School buses and vehicles	<u>927,413</u>	<u>82,870</u>	<u>-</u>	<u>1,010,283</u>
Total capital assets, being depreciated	<u>27,785,117</u>	<u>284,748</u>	<u>-</u>	<u>28,069,865</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,155,595)	(135,609)	-	(1,291,204)
Building and improvements	(6,309,341)	(439,413)	-	(6,748,754)
Furniture and equipment	(1,872,578)	(360,625)	-	(2,233,203)
School buses and vehicles	<u>(670,844)</u>	<u>(77,051)</u>	<u>-</u>	<u>(747,895)</u>
Total accumulated depreciation	<u>(10,008,358)</u>	<u>(1,012,698)</u>	<u>-</u>	<u>(11,021,056)</u>
Total capital assets, being depreciated, net	<u>17,776,759</u>	<u>(727,950)</u>	<u>-</u>	<u>17,048,809</u>
Governmental activities capital assets, net	<u>\$ 19,722,780</u>	<u>\$ (727,950)</u>	<u>\$ -</u>	<u>\$ 18,994,830</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 563,131
Special	65,739
Vocational	5,226
<u>Support services:</u>	
Pupil	28,689
Instructional staff	36,257
Administration	73,263
Fiscal	8,194
Operations and maintenance of plant	47,133
Pupil transportation	77,051
Central	919
Noninstructional services	12,732
Food service operations	48,839
Extracurricular	<u>45,525</u>
Total depreciation expense	<u>\$ 1,012,698</u>

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

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

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

Governmental activities capital assets consisting of school buses, boilers and windows have been capitalized in the amount of \$1,085,098. These amounts represent the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2008 fiscal year totaled \$88,682 and \$36,636, respectively. These amounts are reported as debt service payments of the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2008:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 125,318
2010	125,318
2011	86,819
2012	86,819
2013	86,819
2014 - 2017	<u>274,926</u>
Total minimum lease payment	786,019
Less: amount representing interest	<u>(138,409)</u>
Present value of minimum lease payments	<u>\$ 647,610</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. The District's long-term obligations at June 30, 2007 have been restated in order to account for the fund reclassification as discussed in Note 3.B. This change increased the June 30, 2007 balance of compensated absences by \$38,629. The changes in the District's long-term obligations during the fiscal year consist of the following:

	<u>Restated Balance June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
Citicorp-energy conservation note, 5.25%; matures 7/15/2015	\$ 716,375	\$ -	\$ (80,057)	\$ 636,318	\$ 84,362
School improvement general obligation bonds, 2.90% to 6.15% matures 12/01/2014	2,815,000	-	(355,000)	2,460,000	370,000
School improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	6,204,606	42,904	(180,000)	6,067,510	95,000
Compensated absences	1,879,794	210,841	(162,400)	1,928,235	295,008
Capital lease	<u>736,292</u>	<u>-</u>	<u>(88,682)</u>	<u>647,610</u>	<u>93,183</u>
Total governmental activities	<u>\$12,352,067</u>	<u>\$ 253,745</u>	<u>\$ (866,139)</u>	11,739,673	<u>\$ 937,553</u>
Less: deferred charge on refunding				(438,062)	
Add: unamortized premium				<u>550,697</u>	
Total on statement of net assets				<u>\$11,852,308</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

Capital leases are described in Note 9.

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

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

Fiscal Year Ending June 30,	School Improvement General Obligation Bonds		
	Principal	Interest	Total
2009	\$ 370,000	\$ 100,819	\$ 470,819
2010	385,000	84,961	469,961
2011	400,000	67,980	467,980
2012	415,000	49,843	464,843
2013	435,000	30,718	465,718
2014	<u>455,000</u>	<u>10,465</u>	<u>465,465</u>
Total	<u>\$ 2,460,000</u>	<u>\$ 344,786</u>	<u>\$ 2,804,786</u>

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

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

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2009	\$ 84,362	\$ 32,314	\$ 116,676
2010	88,898	27,826	116,724
2011	93,681	23,097	116,778
2012	98,719	18,113	116,832
2013	104,028	12,862	116,890
2014 - 2015	<u>166,630</u>	<u>8,824</u>	<u>175,454</u>
Total	<u>\$ 636,318</u>	<u>\$ 123,036</u>	<u>\$ 759,354</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

- D.** On May 1, 2007, the District issued general obligation bonds (series 2007 refunding bonds) to advance refund the callable portion of the series 2001 school improvement general obligation bonds (principal of \$6,200,000 refunded). The issuance proceeds were deposited in an escrow fund and will be used to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$5,990,000, and capital appreciation bonds, par value \$210,000. The capital appreciation bonds mature between December 1, 2015 and December 1, 2018 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,195,000. Total accreted interest of \$47,510 has been included in the statement of activities.

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

The following is a schedule of activity for fiscal 2008 on the series 2007 refunding bonds:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2008</u>
Current interest bonds	\$ 5,990,000	\$ -	\$ (180,000)	\$ 5,810,000
Capital appreciation bonds	210,000	-	-	210,000
Accreted interest on capital appreciation bonds	<u>4,606</u>	<u>42,904</u>	<u>-</u>	<u>47,510</u>
Total refunding bonds	<u>\$ 6,204,606</u>	<u>\$ 42,904</u>	<u>\$ (180,000)</u>	<u>\$ 6,067,510</u>

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

Fiscal Year <u>Ending June 30</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 95,000	\$ 228,525	\$ 323,525	\$ -	\$ -	\$ -
2010	100,000	224,869	324,869	-	-	-
2011	100,000	221,119	321,119	-	-	-
2012	100,000	217,369	317,369	-	-	-
2013	105,000	213,525	318,525	-	-	-
2014 - 2018	1,420,000	928,872	2,348,872	185,000	850,000	1,035,000
2019 - 2023	3,150,000	485,800	3,635,800	25,000	135,000	160,000
2024	<u>740,000</u>	<u>14,800</u>	<u>754,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,810,000</u>	<u>\$ 2,534,879</u>	<u>\$ 8,344,879</u>	<u>\$ 210,000</u>	<u>\$ 985,000</u>	<u>\$ 1,195,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Ohio Revised Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$23,060,482 (including available funds of \$814,475) and an unvoted debt margin of \$341,400.

**NOTE 11 - NOTE PAYABLE**

The District issued a \$325,000 site-acquisition tax anticipation note on April 10, 2008. The note bears an interest rate of 3.825% and matures on April 9, 2009. The note is recorded as a fund liability of the building fund, a nonmajor governmental fund. The proceeds were used to retire a \$350,000 site-acquisition tax anticipation note that was issued on May 4, 2007 and matured on May 5, 2008. The following is a summary of the note payable activity for 2008:

	Balance June 30, 2007	Issued	Retired	Balance June 30, 2008
Site-acquisition note - 5.00%	\$ 350,000	\$ -	\$ (350,000)	\$ -
Site-acquisition note - 3.825%	-	325,000	-	325,000
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 325,000</b>	<b>\$ (350,000)</b>	<b>\$ 325,000</b>

**NOTE 12 - COMPENSATED ABSENCES**

**A. Vacation**

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

**B. Sick Leave**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - COMPENSATED ABSENCES - (Continued)**

**C. Service Retirement**

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

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

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Liability**

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

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 2,000,000	General Aggregate	
	2,000,000	Products/Completed Ops. Aggregate	
	1,000,000	Personal & Advertising Injury	
	1,000,000	Each Occurrence	
	300,000	Fire Damage	
	5,000	Medical Expense	
Vehicle Policy	1,000,000	Bodily Injury	\$ 250
	1,000,000	Property Damage	
	10,000	Medical Payments	
	1,000,000	Uninsured Motorist	
Building and Contents	41,505,618		2,500
Blanket Business Personal Property	4,937,725		2,500
Worker Compensation	1,000,000	Employer's Liability - Each Accident	
	1,000,000	Disease - Policy Limit	
	1,000,000	Each employee	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Data Processing Equipment	\$1,000,000	\$500/100
Blanket Bond	10,000	Per Individual
Crime	3,000	No deductible
Robbery & Safe Burglary	5,000	No deductible

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

**B. Health Insurance**

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

**C. Workers' Compensation**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$282,493, \$304,076 and \$332,038, respectively; 45.82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,442,803, \$1,459,166, and \$1,412,812, respectively; 82.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$14,863 made by the District and \$22,648 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$190,180, \$159,040, and \$127,480, respectively; 45.82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$20,354, \$20,677, and \$26,428, respectively; 45.82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$110,985, \$112,244, and \$108,678, respectively; 82.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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, 2008

**NOTE 16 - 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Advances-in and advances-out are operating transaction (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (120,075)
Net adjustment for revenue accruals	1,642,405
Net adjustment for expenditure accruals	(190,253)
Net adjustment for other sources/uses	(22,988)
Adjustment for encumbrances	448,815
GAAP basis	<u>\$ 1,757,904</u>

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 18 - STATUTORY RESERVES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 163,789	\$ -
Current year set-aside requirement	427,606	427,606
Current year offsets	-	(189,564)
Qualifying disbursements	<u>(355,961)</u>	<u>(637,906)</u>
Total	<u>\$ 235,434</u>	<u>\$ (399,864)</u>
Balance carried forward to fiscal year 2009	<u>\$ 235,434</u>	<u>\$ -</u>

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

A schedule of the restricted assets at June 30, 2008 follows:

	<u>Amount</u>
Amount restricted for textbooks/instructional materials	<u>\$ 235,434</u>
Total	<u>\$ 235,434</u>

**NOTE 19 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY**

The Tiffin City Schools Digital Academy (the “Digital Academy”) is a discretely presented component unit of the Tiffin City School District (the “District”). The District is the Sponsor of the Digital Academy. The Digital Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Tiffin City Schools Digital Academy, 244 S. Monroe Street, Tiffin, OH 44883-2906.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 19 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)**

**A. Significant Accounting Policies**

The basic financial statements (BFS) of the Digital Academy 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 Digital Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Digital Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The Digital Academy's significant accounting policies are described below.

***Basis of Presentation*** - The Digital Academy's basic financial statements consist of a statement of net assets; a statement of revenue, expenses, and changes in net assets; and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

***Measurement Focus and Basis of Accounting*** - Enterprise accounting uses a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Digital Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows reflects how the Digital Academy finances and meets the cash flow needs of its enterprise activities.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Digital Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Digital Academy receives value without directly giving equal value in return, such as grants and entitlements, are 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 Digital Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Digital Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

***Budgetary Process*** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Digital Academy's contract with its Sponsor. The contract between the Digital Academy and its Sponsor does not prescribe a budgetary process in addition to preparing a 5-year forecast. The 5-year forecast is updated on an annual basis.

***Cash*** - All monies received by the Digital Academy are accounted for by the Digital Academy's fiscal agent, the Tiffin City School District. All cash received by the fiscal agent is maintained in a separate account in the Digital Academy's name. The Digital Academy had no investments during the fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 19 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)**

**Capital Assets and Depreciation** - All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value as of the date donated. The Digital Academy maintains a capitalization threshold of \$1,000. The Digital Academy 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 expensed.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Capital assets, currently consisting of furniture and equipment, are depreciated over five years.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Digital Academy applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. The Digital Academy had restricted net assets that include amounts reserved for state and federally funded programs.

**Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activities. For the Digital Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Digital Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**Intergovernmental Revenues** - The Digital Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met. Federal and State grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. 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 Digital Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Digital Academy on a reimbursement basis.

The Digital Academy participates in various programs through the Ohio Department of Education. These include the Federal Charter School Grant Program, Poverty-based assistance, EMIS grant, IDEA-B, Title V and Title II-A.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**B. Deposits**

At fiscal year end June 30, 2008, the carrying amount of the Digital Academy's deposits totaled \$193,949. The bank balance was \$193,949, of which \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 19 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)**

**C. Intergovernmental Receivables**

Receivables at June 30, 2008, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental Receivables:</b>	<u>Amount</u>
IDEA-B	\$ 9,052
Title V	74
Title II-A	804
Foundation - full time equivalency adjustment	<u>857</u>
Total intergovernmental receivables	<u>\$ 10,787</u>

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, is as follows:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2008</u>
Furniture and equipment	\$ 41,387	\$ -	\$ -	\$ 41,387
Less: accumulated depreciation	<u>(9,760)</u>	<u>(8,277)</u>	<u>-</u>	<u>(18,037)</u>
Capital assets, net	<u>\$ 31,627</u>	<u>\$ (8,277)</u>	<u>\$ -</u>	<u>\$ 23,350</u>

**E. Risk Management**

The Digital Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Digital Academy is covered under the liability and property policies of the Tiffin City School District.

Coverage's are as follows:

General Liability:  
Per occurrence \$ 1,000,000  
Aggregate 2,000,000  
Fire Damage Liability 300,000

Settled claims have not exceeded the commercial coverage in the past year. There have been no significant reductions in insurance coverage from last year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 19 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)**

**F. Fiscal Agent and Payments to Sponsor**

The Digital Academy does not employ any individuals within the Digital Academy itself. All employees are employed by the Sponsor. The sponsorship agreement states the Digital Academy shall acquire the services of a qualified fiscal officer. The Treasurer of the Tiffin City School District serves as the chief financial officer of the Digital Academy. The sponsorship agreement states, the Digital Academy shall perform the following functions:

- Maintain the financial records of the Digital Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- Comply with the policies and procedures regarding internal financial control of the Digital Academy; and
- Comply with the requirements and procedures for financial audits by the Auditor of State.

In addition, the sponsorship agreement states the Digital Academy shall secure the services of an Executive Director who shall be the chief operating officer of the Digital Academy. This position is filled by the Director of Secondary Instruction/Personnel of the Sponsor, the Tiffin City School District.

The Academy shall pay to the Sponsor such other amounts as are mutually agreed, including fees for any services provided to the Academy by the Sponsor. During the year ended June 30, 2008, the Academy paid \$149,624 to the Tiffin City School District. The expenses were primarily related to salaries and benefits.

The Sponsor also provides educational support through the Sponsor's informational technology and pupil services departments.

**G. Contract with Tri-Rivers Educational Computer Association**

The Digital Academy entered into a contract for fiscal year 2008, with Tri-Rivers Educational Computer Association (TRECA). Under the contract, the following terms were agreed upon:

- TRECA shall provide the Digital Academy with instructional, supervisory/administrative, and technical services sufficient to substantially implement the Digital Academy's educational plan and the Digital Academy's assessment and accountability plan.
- All personnel providing services to the Digital Academy on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the Digital Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 19 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)**

-The Digital Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the Digital Academy, with primary responsibility for day-to day operations of the Digital Academy.

-Curricular services provided by TRECA shall be limited to the basic standardized curriculum developed by TRECA. Basic services do not include special education and related services.

-The Digital Academy shall pay TRECA \$3,650 per full-time student. Part-time students may be enrolled on such terms as agreed to by the parties.

For fiscal year 2008, \$86,721 was paid to TRECA.

To obtain TRECA's audited June 30, 2008 financial statements please contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org).

**H. Related Party Transactions**

The Digital Academy is a component unit of the Sponsor. The Digital Academy and the Sponsor entered into a sponsorship agreement, whereby terms of the sponsorship were established. The Treasurer of the Sponsor serves as the Treasurer of the Digital Academy, the Director of Secondary Instruction/Personnel of the Sponsor also serves as the Executive Director of the Digital Academy, and other employees of the Sponsor provide additional services to the Digital Academy.

Payments to the following related parties were as follows:

Tiffin City School District (Sponsor)	\$ 149,624
Total	<u>\$ 149,624</u>

**I. Contingencies**

*Grants* - The Digital Academy received financial assistance from Federal and State 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 Digital Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Digital Academy at June 30, 2008.

*Full-time Equivalency* - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. These conclusions of this review could result in State funding to be adjusted. For fiscal year 2008, the result of this review resulted in an underpayment of Foundation Revenue of \$857, and is reported as an intergovernmental receivable on the financial statements at June 30, 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 19 - TIFFIN CITY SCHOOLS DIGITAL ACADEMY - (Continued)**

**J. Tax Exempt Status**

The Digital Academy's legal counsel issued a tax opinion stating the Digital Academy is not required to pay federal income tax or file federal tax returns because it qualifies as an integral part of the Tiffin City School District which is a political subdivision of the State of Ohio. The tax opinion also indicates that as a further protection, they structured the Digital Academy's incorporation documents in such a way that, in the unlikely event the Internal Revenue Service ever reaches a contrary conclusion regarding the Digital Academy's tax status, the Digital Academy should qualify as a tax-exempt organization under either Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, retroactive to the date of incorporation. Thus, the Digital Academy should avoid liability for any taxes or penalties imposed by the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Digital Academy's tax exempt status.

## **SUPPLEMENTARY DATA**

**TIFFIN CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(C) Food Donation	10.550	2008	\$ 63,687	\$ 63,687
<b>Total Food Donation</b>			<u>63,687</u>	<u>63,687</u>
(D)(E) Nutrition Cluster School Breakfast Program	10.553	2008	24,487	24,487
<b>Total School Breakfast Program</b>			<u>24,487</u>	<u>24,487</u>
(D)(E) National School Lunch Program	10.555	2008	333,562	333,562
<b>Total National School Lunch Program</b>			<u>333,562</u>	<u>333,562</u>
<b>Total Nutrition Cluster</b>			<u>358,049</u>	<u>358,049</u>
<b>Total U.S. Department of Agriculture</b>			<u>421,736</u>	<u>421,736</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies:	84.010	2006	-	271
Title I Grants to Local Educational Agencies:	84.010	2007	3,141	10,147
Title I Grants to Local Educational Agencies:	84.010	2008	365,888	355,628
<b>Total Title I Grants to Local Educational Agencies</b>			<u>369,029</u>	<u>366,046</u>
Special Education_Grants to States	84.027	2007	55,931	116,469
Special Education_Grants to States	84.027	2008	754,328	784,199
<b>Total Special Education Grants_to States</b>			<u>810,259</u>	<u>900,668</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2007	-	2,905
Safe and Drug-Free Schools and Communities State Grants	84.186	2008	11,812	14,287
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>11,812</u>	<u>17,192</u>
State Grants for Innovative Programs	84.298	2007	45	45
State Grants for Innovative Programs	84.298	2008	2,877	6,093
<b>Total State Grants for Innovative Programs</b>			<u>2,922</u>	<u>6,138</u>
Education Technology State Grants	84.318	2007	-	50
Education Technology State Grants	84.318	2008	4,106	922
<b>Total Education Technology State Grant</b>			<u>4,106</u>	<u>972</u>
English Language Acquisition Grants	84.365	2007	6,106	10,318
<b>Total English Language Acquisition Grants</b>			<u>6,106</u>	<u>10,318</u>
Improving Teacher Quality State Grants	84.367	2007	79,394	83,174
Improving Teacher Quality State Grants	84.367	2008	94,595	90,951
<b>Total Improving Teacher Quality State Grant</b>			<u>173,989</u>	<u>174,125</u>
<b>Total U.S. Department of Education</b>			<u>1,378,223</u>	<u>1,475,459</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,799,956</u>	<u>\$ 1,897,195</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2008.  
(B) This schedule was prepared on the cash basis of accounting.  
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.  
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
(E) Included as part of "Nutrition Grant Cluster" in determining major programs.

Note 1: The Tiffin City School District has excluded financial assistance reported for its component uni  
The Tiffin City Schools Digital Academy



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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***

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Tiffin City School District's basic financial statements and have issued our report thereon dated January 30, 2009. As disclosed in Note 3.B, the District has reported a prior period adjustment to properly report fund balances and net assets for capital assets, receivables and fund reclassifications. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tiffin City School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Tiffin City School District's financial statements that is more than inconsequential will not be prevented or detected by Tiffin City School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as 2008-TCSD-001 and 2008-TCSD-002.

Board of Education  
Tiffin City School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Tiffin City School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider none to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tiffin City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-TCSD-002, 2008-TCSD-003, 2008-TCSD-004, 2008-TCSD-005 and 2008-TCSD-006.

We noted certain matters that we reported to the management of Tiffin City School District in a separate letter dated January 30, 2009.

Tiffin City School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Tiffin City School District's responses and, accordingly, we express no opinion on them.

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



Julian & Grube, Inc.  
January 30, 2009



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

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

Compliance

We have audited the compliance of Tiffin City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Tiffin City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tiffin City School District's management. Our responsibility is to express an opinion on Tiffin City School District's compliance based on our audit.

Tiffin City School District's basic financial statements include the operations of Tiffin City Schools Digital Academy, a component unit of Tiffin City School District. Tiffin City Schools Digital Academy received \$2,616, and expended \$27,454 in federal awards during fiscal year 2008 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Tiffin City School District for the fiscal year ended June 30, 2008. Our audit of federal awards, described below, did not include the operations of Tiffin City Schools Digital Academy. This component unit expended less than \$500,000 in federal grants for the fiscal year ended June 30, 2008 and thus was not required to have an audit of its federal awards in accordance with *OMB Circular A-133*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tiffin City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Tiffin City School District's compliance with those requirements.

Board of Education  
Tiffin City School District

In our opinion, Tiffin City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of Tiffin City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Tiffin City School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Tiffin City School District's internal control over compliance.

A control deficiency in Tiffin City School District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tiffin City School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Tiffin City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Tiffin City School District's internal control.

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

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



Julian & Grube, Inc.  
January 30, 2009

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grants to States - CFDA #84.027. Nutrition Cluster – School Breakfast CFDA #10.553 and National School Lunch #10.555.
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2008-TCSD-001

**Significant Deficiency**

The District had an appraisal performed of its capital assets during the fiscal year due to significant changes in recent years regarding facilities. This appraisal resulted in a prior period material restatement to its capital assets. This was a proactive step by the District to ensure all capital assets owned by the District are accounted for and included in their financial report.

Properly maintaining an accurate capital asset ledger is a good internal control for the District to help ensure safeguarding of assets and valuation of assets for financial reporting.

We recommend the District continue to maintain net asset inventory and detailed schedule that supports the cost, book value, and depreciation for each District asset. This schedule should be maintained on a current basis by either working with an appraisal company on an annual basis or through the District computer system EIS program. Either method will help with the District valuation and safeguarding.

*Client Response:* The District anticipates it will incorporate its current appraisal listing into its computer EIS system and maintain any future additions and disposals and annual depreciation amounts. The District will consider obtaining a full appraisal approximately every five to ten years.

Finding Number	2008-TCSD-002
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**Significant Deficiency/Noncompliance**

The District is in noncompliance with Ohio Revised Code Section 117.38 which requires the annual GAAP report to be filed within one hundred fifty days after the close of the fiscal year. The District also lacks some controls over timely and accurate financial reports. The District consults with a firm to prepare its financial statements; however, the fiscal year 2008 financial report was not filed until February 2, 2009 with the Auditor of State.

There were delays in completing the annual GAAP report due to a new Treasurer during the fiscal year, various other District management responsibilities, and obtaining the finalized appraisal report. While there were delays in both filing the annual GAAP report and completing the annual audit due to these circumstances, timely financial reports is essential to the operation of the District to help ensure complete and accurate data is being provided to the District's citizens.

We recommend the District management take a more active role in overseeing the timeliness of the financial reporting process. This may require providing information to the consultants shortly after fiscal year end in order to help facilitate a more timely accurate financial report.

*Client's Response:* The Treasurer is aware of the requirements and is making an effort to be more timely for 2009.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2008-TCSD-003

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The District had appropriations in excess of estimated resources at January 1, 2008 and June 30, 2008 in the following funds:

January 31, 2008

<u>Nonmajor Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
SchoolNet Training	\$ 200	\$ 21,000	\$ 20,800
Alternative Schools	48,809	49,000	191
SchoolNet	-	9,898	9,898

June 30, 2008

<u>Nonmajor Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Miscellaneous Grants	50,612	70,000	19,388
Data Communication	202	15,000	14,798
SchoolNet Training	200	20,500	20,300
Alternative Schools	48,809	49,000	191
Poverty Based Assistance	62,269	70,000	7,731
Miscellaneous State Grants	1,919	20,000	18,081
IDEA Part B	730,593	862,055	131,462
Title III	-	11,000	11,000
Title I	293,640	350,000	56,360
Drug Free School Grant	11,000	19,000	8,000
Improving Teacher Quality	148,780	175,000	26,220

With appropriations exceeding estimated resources, the District is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over-appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend the District comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Treasurer will attempt to monitor appropriations more closely.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2008-TCSD-004

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The District had appropriations exceeding estimated resources throughout the fiscal year and at fiscal year end. Thus, the District did not request enough amended certificates throughout the fiscal year or at fiscal year end upon notice of increased or decreased resources in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the fiscal year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources more frequently throughout the year.

Finding Number	2008-TCSD-005
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

The District did not timely modify its appropriations throughout the fiscal year.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary. We recommend that the Board adopt accounting policies for amending appropriations and include these policies in the Board's accounting policies and procedures manual, consider reviewing estimated resources and appropriations and expenditures versus appropriations on a monthly basis, and certify amendments to the Board of Commissioners as necessary. We recommend the Board utilize its accounting software or a spreadsheet to help monitor the budget.

Client Response: The District will more closely monitor its expenditures versus approved appropriations throughout the fiscal year and obtain additional approved modifications as necessary.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2008-TCSD-006

Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

The District had expenditures in excess of appropriations at September 30, 2007 and June 30, 2008 in the following funds:

June 30, 2008

Major Fund	Appropriations	Expenditures	Excess
General Fund	\$ 22,000,000	\$ 22,245,720	\$ 245,720
<u>Nonmajor Funds</u>			
Public School Fund	100,000	104,403	4,403
Miscellaneous Grants	70,000	104,618	34,618
District Managed Student Activity Fund	275,000	316,681	41,681
Auxiliary Services	470,000	483,474	13,474
Entry Year Programs	6,000	7,100	1,100
Ohio Reads	16,000	17,096	1,096
Alternative Schools	49,000	49,220	220
Miscellaneous State Grants	20,000	22,742	2,742
IDEA Part B	892,000	935,028	43,028
Title I	350,000	366,046	16,046
Title V	5,000	7,209	2,209
Title II - D	47,000	49,002	2,002
SchoolNet	-	9,898	9,898
Cap (HB 810)	308,708	308,709	1
Food Service	700,000	715,916	15,916
Uniform School Supplies	75,000	80,016	5,016

September 30, 2007

Nonmajor Funds	Appropriations	Expenditures	Excess
Miscellaneous Grants	10,000	11,513	1,513
Ohio Reads	8,700	12,723	4,023
Miscellaneous State Grants	959	8,503	7,544

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the appropriations on a more continual basis.

Client Response: The Treasurer will modify its appropriations as needed to be in compliance and monitor the expenditures on a regular basis.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2007-TCSD-001	Significant deficiency due to the District being unable to provide a comprehensive detailed listing of capital assets in an easily auditable format.	Yes	N/A
2007-TCSD-002	Significant deficiency due to the District lacking controls over timely and accurate financial reports.	No	Repeated as Finding 2008-TCSD-002
2007-TCSD-003	Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.	No	Repeated as Finding 2008-TCSD-003
2007-TCSD-004	Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.	No	Repeated as Finding 2008-TCSD-004
2007-TCSD-005	Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.	No	Repeated as Finding 2008-TCSD-006
2007-TCSD-006	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	No	Repeated as Finding 2008-TCSD-005



**Mary Taylor, CPA**  
Auditor of State

**TIFFIN CITY SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 26, 2009**