

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010***

**SHARON PERRY, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Tiffin City School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 23, 2011

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

*Serving Ohio Local Governments*

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

### Independent Auditor's Report

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

To the Members of the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, its 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, 2010, 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, its major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010 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.

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

Julian & Grube, Inc.  
December 27, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$932,348 which represents a 7.59% increase from 2009.
- General revenues accounted for \$22,422,725 in revenue or 79.02% of all revenues. The District had a special item in the amount of \$192,625. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,761,022 or 20.30% of total revenues of \$28,376,372.
- The District had \$27,444,024 in expenses related to governmental activities; only \$5,761,022 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 \$22,422,725 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$22,654,227 in revenues and other financing sources and a special item and \$22,608,072 in expenditures and other financing uses. During fiscal 2010, the general fund's fund balance increased \$46,155 from \$2,919,171 to \$2,965,326.

**Using the Financial Report**

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-60 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**The District as a Whole**

The table below provides a summary of the District's net assets for fiscal years ending June 30, 2010 and 2009.

	<b>Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Assets:</u></b>		
Current and other assets	\$ 17,341,698	\$ 17,840,068
Capital assets, net	17,591,745	17,744,342
Total assets	34,933,443	35,584,410
<b><u>Liabilities:</u></b>		
Current liabilities	11,357,735	12,246,287
Long-term liabilities	10,356,115	11,050,878
Total liabilities	21,713,850	23,297,165
<b><u>Net assets:</u></b>		
Invested in capital assets, net of related debt	9,044,152	8,554,443
Restricted	2,526,556	2,292,926
Unrestricted	1,648,885	1,439,876
Total net assets	\$ 13,219,593	\$ 12,287,245

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$13,219,593.

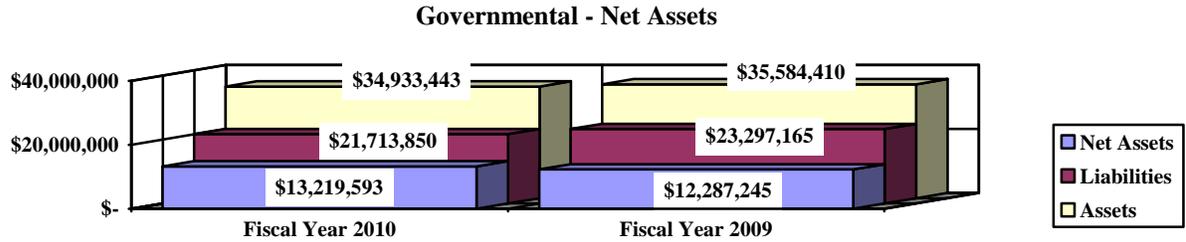
At year-end, capital assets represented 50.36% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and school buses and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$9,044,152. These capital 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, \$2,526,556, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,648,885 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The table below provides a summary of the District's assets, liabilities and net assets for fiscal year 2010 and 2009.



The table below shows the changes in net assets for fiscal years 2010 and 2009.

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Revenues:</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,390,994	\$ 2,147,456
Operating grants and contributions	3,370,028	3,454,687
Capital grants and contributions	-	14,802
General revenues:		
Property taxes	11,104,504	9,597,315
Payment in lieu of taxes	58,620	136,907
Grants and entitlements	11,205,126	11,531,023
Investment earnings	8,978	50,630
Other	<u>45,497</u>	<u>149,560</u>
Total revenues	<u>28,183,747</u>	<u>27,082,380</u>

-- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

that were previously recorded in other instruction. Expenditures for 2009 have been adjusted to account for this change for comparison purposes.

**Change in Net Assets (Continued)**

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
<b><u>Expenses:</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 11,460,510	\$ 11,539,361
Special	4,882,632	4,608,307
Vocational	207,292	237,135
Other	66,230	-
Support services:		
Pupil	1,105,600	1,355,510
Instructional staff	1,763,153	1,402,114
Board of education	33,188	44,888
Administration	1,848,458	1,830,501
Fiscal	569,703	607,973
Business	58,573	34,414
Operations and maintenance	2,395,035	2,543,550
Pupil transportation	831,591	857,610
Central	20,497	57,979
Operations of non-instructional services:		
Food service operations	882,364	781,052
Other non-instructional services	197,907	289,024
Extracurricular activities	701,552	704,741
Interest and fiscal charges	419,739	453,791
Total expenses	<u>27,444,024</u>	<u>27,347,950</u>
<b><u>Special Item</u></b>		
Net assets to Tiffin City School District upon dissolution of component unit	<u>192,625</u>	<u>-</u>
Change in net assets	932,348	(265,570)
Net assets at beginning of year	<u>12,287,245</u>	<u>12,552,815</u>
Net assets at end of year	<u>\$ 13,219,593</u>	<u>\$ 12,287,245</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$932,348. Total governmental expenses of \$27,444,024 were offset by program revenues of \$5,761,022 and general revenues of \$22,422,725.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

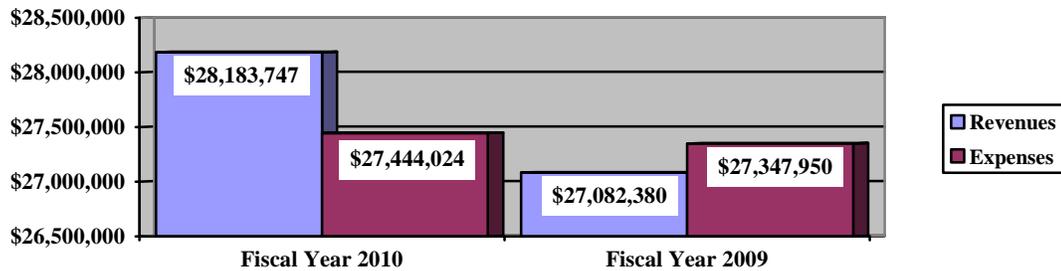
Program revenues supported 20.99% of the total governmental activities expenses. The District reported a special item for the nets assets transferred to the District upon dissolution of the District's community school component unit which increased net assets \$192,625.

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 78.74% of total governmental revenue. Real estate property is reappraised every six years.

During the fiscal year, the District has report a \$192,625 special item for net assets transferred to the District upon dissolution of the Tiffin City Schools Digital Academy (a component unit). This special item is further described in Note 2.S. and Note 18 to the basic financial statements.

The graph presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

**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. During 2010, the District has accounted for certain expenditures in the regular and special instruction expenditures that were previously recorded in other instruction. Expenditures for 2009 have been adjusted to account for this change for comparison purposes.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2010 and 2009.

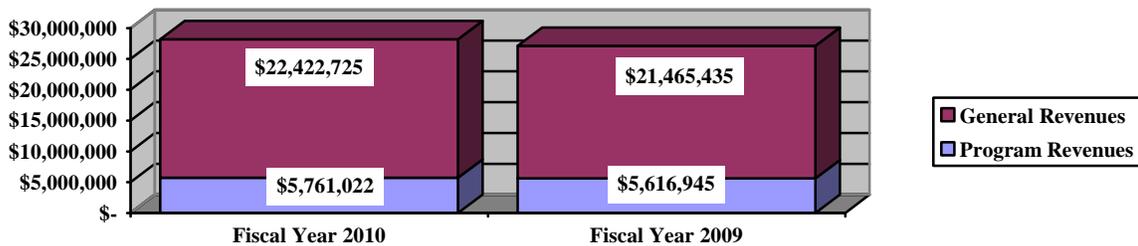
**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses:				
Instruction:				
Regular	\$ 11,460,510	\$ 9,188,293	\$ 11,539,361	\$ 9,996,389
Special	4,882,632	4,006,200	4,608,307	3,038,946
Vocational	207,292	188,579	237,135	218,565
Other	66,230	-	-	-
Support services:				
Pupil	1,105,600	785,252	1,355,510	970,576
Instructional staff	1,763,153	1,184,250	1,402,114	902,413
Board of education	33,188	33,188	44,888	44,888
Administration	1,848,458	1,837,218	1,830,501	1,828,278
Fiscal	569,703	564,565	607,973	601,548
Business	58,573	58,573	34,414	34,414
Operations and maintenance	2,395,035	2,379,270	2,543,550	2,523,967
Pupil transportation	831,591	702,442	857,610	701,373
Central	20,497	19,677	57,979	47,832
Operation of non-instructional services:				
Food service operations	882,364	26,996	781,052	(38,579)
Other non-instructional services	197,907	(16,463)	289,024	29,146
Extracurricular activities	701,552	305,223	704,741	377,458
Interest and fiscal charges	419,739	419,739	453,791	453,791
<b>Total expenses</b>	<b><u>\$ 27,444,024</u></b>	<b><u>\$ 21,683,002</u></b>	<b><u>\$ 27,347,950</u></b>	<b><u>\$ 21,731,005</u></b>

The dependence upon tax revenues during fiscal year 2010 for governmental activities is apparent, as 80.54% of 2010 instruction activities are supported through taxes and other general revenues.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

**Governmental Activities - General and Program Revenues**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**The District's Governmental Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$4,354,080, which is higher than last year's total of \$4,345,643.

	<u>Fund Balance June 30, 2010</u>	<u>Fund Balance June 30, 2009</u>	<u>Increase (Decrease)</u>
General	\$ 2,965,326	\$ 2,919,171	\$ 46,155
Other governmental	<u>1,388,754</u>	<u>1,426,472</u>	<u>(37,718)</u>
Total	<u>\$ 4,354,080</u>	<u>\$ 4,345,643</u>	<u>\$ 8,437</u>

**General Fund**

The District's general fund balance increased \$46,155 during 2010. A large part of this increase was due to a transfer of net assets from the Tiffin City Schools Digital Academy (a component unit) upon dissolution which has been reported as a special item (see Note 2.H. and Note 18 to the basic financial statements). This special item resulted in an increase to the general funds balance of \$184,025.

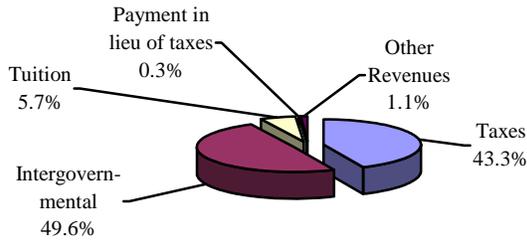
Investment income decreased due to a decrease on the interest rates of the District's investments. Intergovernmental revenue decreased due to loss of State foundation revenues received from the State. Tax revenue increased as a result of a leveling off in the amount of taxes being collected by the County auditor and tax advances available as an advance at fiscal yearend 2010 versus 2009. 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 2010 versus 2009.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,736,028	\$ 8,299,147	17.31 %
Intergovernmental	11,135,521	12,382,768	(10.07) %
Investment income	8,112	47,593	(82.96) %
Tuition	1,291,488	1,233,544	4.70 %
Transportation fees	60,854	69,410	(12.33) %
Classroom materials and fees	-	510	(100.00) %
Payment in lieu of taxes	58,620	136,907	(57.18) %
Other revenues	<u>177,753</u>	<u>155,015</u>	14.67 %
Total	<u>\$ 22,468,376</u>	<u>\$ 22,324,894</u>	0.64 %

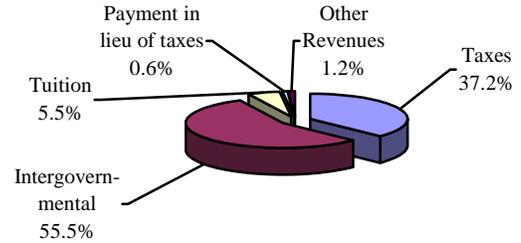
**TIFFIN CITY SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Revenues - Fiscal Year 2010**



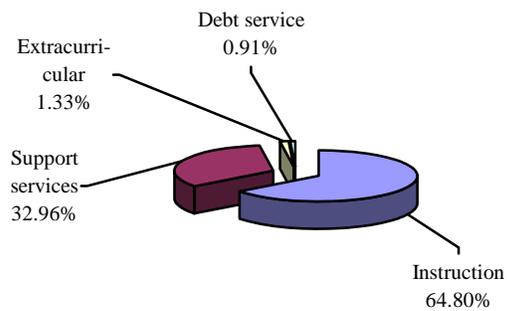
**Revenues - Fiscal Year 2009**



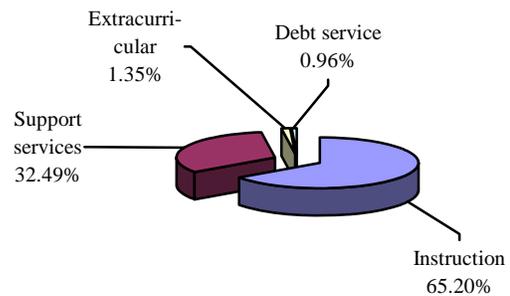
The table that follows assists in illustrating the expenditures of the general fund. The District's most significant increase occurred in support services expenditures. This is due to normal and customary wage and benefit increases for the District's support staff. All other expenditures remained comparable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

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 14,486,148	\$ 14,635,375	(1.02) %
Support services	7,366,331	7,292,998	1.01 %
Extracurricular activities	297,174	302,416	(1.73) %
Debt service	<u>204,091</u>	<u>216,203</u>	(5.60) %
<b>Total</b>	<u><u>\$ 22,353,744</u></u>	<u><u>\$ 22,446,992</u></u>	(0.42) %

**Expenditures - Fiscal Year 2010**



**Expenditures - Fiscal Year 2009**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***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 2010, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$23,307,709. Final budgeted revenues and other financing sources of \$21,769,066 were \$22,659 less than actual revenues and other financing sources of \$21,791,725.

General fund original appropriations were \$22,682,055 and final appropriations were \$23,128,217. The actual budget basis expenditures for fiscal year 2010 totaled \$23,078,886, which was \$49,331 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2010, the District had \$17,591,745 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The following table shows fiscal 2010 balances compared to 2009:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 1,946,021	\$ 1,946,021
Land improvements	471,718	602,122
Building and improvements	14,047,121	14,359,637
Furniture and equipment	878,335	639,093
Vehicles	<u>248,550</u>	<u>197,469</u>
<b>Total</b>	<b><u>\$ 17,591,745</u></b>	<b><u>\$ 17,744,342</u></b>

The decrease in capital assets, net of accumulated depreciation, was primarily caused by depreciation expense of \$853,571 exceeding additions of \$701,363. The District had disposals of \$389, net of accumulated depreciation. Capital assets, net of accumulated depreciation, in the amount of \$8,600, were transferred to the District from the District's component unit upon dissolution (see Note 18 to the basic financial statements). See Note 8 to the basic financial statements for detail on the District's capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***Debt Administration***

At June 30, 2010, the District had \$1,705,000 in general obligation bonds, \$5,985,857 in refunding bonds, \$463,056 in energy conservation notes and \$456,514 in capital lease obligations outstanding. Of the total outstanding debt, \$658,067 is due within one year and \$7,952,360 is due in greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Energy conservation notes	\$ 463,056	\$ 551,956
School improvement general obligation bonds	1,705,000	2,090,000
School improvement refunding bonds	5,985,857	6,024,016
Capital lease obligation	<u>456,514</u>	<u>517,614</u>
Total	<u>\$ 8,610,427</u>	<u>\$ 9,183,586</u>

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

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**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 5,419,239
Cash with fiscal agent . . . . .	392
Cash in segregated accounts . . . . .	192,825
Receivables:	
Taxes . . . . .	11,017,634
Accounts. . . . .	2,226
Intergovernmental . . . . .	437,464
Prepayments . . . . .	111,680
Materials and supplies inventory. . . . .	62,216
Unamortized bond issue costs. . . . .	98,022
Capital assets:	
Land. . . . .	1,946,021
Depreciable capital assets, net. . . . .	15,645,724
Capital assets, net . . . . .	17,591,745
Total assets. . . . .	34,933,443
<b>Liabilities:</b>	
Accounts payable. . . . .	132,063
Accrued wages and benefits . . . . .	1,821,657
Pension obligation payable. . . . .	602,090
Intergovernmental payable . . . . .	204,636
Accrued interest payable . . . . .	35,640
Unearned revenue . . . . .	8,561,649
Long-term liabilities:	
Due within one year. . . . .	964,422
Due in more than one year . . . . .	9,391,693
Total liabilities . . . . .	21,713,850
<b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	9,044,152
Restricted for:	
Capital projects . . . . .	507,542
Classroom facilities maintenance . . . . .	230,578
Debt service. . . . .	981,224
Locally funded programs . . . . .	47,002
State funded programs. . . . .	65,378
Federally funded programs . . . . .	1,745
Student activities . . . . .	61,533
Public school support . . . . .	32,439
Food services . . . . .	231,512
Other purposes . . . . .	367,603
Unrestricted . . . . .	1,648,885
Total net assets . . . . .	\$ 13,219,593

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, 2010

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets		
			Primary Government	Component Unit	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Tiffin City Schools Digital Academy
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 11,460,510	\$ 1,561,416	\$ 710,801	\$ (9,188,293)	\$ -
Special . . . . .	4,882,632	19,111	857,321	(4,006,200)	-
Vocational . . . . .	207,292	-	18,713	(188,579)	-
Other . . . . .	66,230	-	66,230	-	-
Support services:					
Pupil . . . . .	1,105,600	130,372	189,976	(785,252)	-
Instructional staff . . . . .	1,763,153	597	578,306	(1,184,250)	-
Board of education . . . . .	33,188	-	-	(33,188)	-
Administration . . . . .	1,848,458	-	11,240	(1,837,218)	-
Fiscal . . . . .	569,703	-	5,138	(564,565)	-
Business . . . . .	58,573	-	-	(58,573)	-
Operations and maintenance . . . . .	2,395,035	15,765	-	(2,379,270)	-
Pupil transportation . . . . .	831,591	-	129,149	(702,442)	-
Central . . . . .	20,497	21	799	(19,677)	-
Operation of non-instructional services:					
Food service operations . . . . .	882,364	319,658	535,710	(26,996)	-
Other non-instructional services . . . . .	197,907	-	214,370	16,463	-
Extracurricular activities . . . . .	701,552	344,054	52,275	(305,223)	-
Interest and fiscal charges . . . . .	419,739	-	-	(419,739)	-
Total governmental activities . . . . .	<u>\$ 27,444,024</u>	<u>\$ 2,390,994</u>	<u>\$ 3,370,028</u>	<u>(21,683,002)</u>	<u>-</u>
<b>Component unit:</b>					
Tiffin City Schools Digital Academy . . . . .	<u>\$ 278,091</u>	<u>\$ 285</u>	<u>\$ 252,396</u>	<u>-</u>	<u>(25,410)</u>
Total component unit . . . . .	<u>\$ 278,091</u>	<u>\$ 285</u>	<u>\$ 252,396</u>	<u>-</u>	<u>(25,410)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .			10,063,204	-	
Special revenue . . . . .			136,292	-	
Debt service . . . . .			713,706	-	
Capital projects . . . . .			191,302	-	
Payments in lieu of taxes . . . . .			58,620	-	
Grants and entitlements not restricted to specific programs . . . . .					
			11,205,126	-	
Investment earnings . . . . .			8,978	-	
Miscellaneous . . . . .			45,497	-	1,268
Total general revenues . . . . .			<u>22,422,725</u>		<u>1,268</u>
<b>Special Item:</b>					
Net assets to Tiffin City School District upon dissolution of component unit . . . . .			192,625		(192,625)
Change in net assets . . . . .			932,348		(216,767)
<b>Net assets at beginning of year . . . . .</b>			<u>12,287,245</u>		<u>216,767</u>
<b>Net assets at end of year . . . . .</b>			<u>\$ 13,219,593</u>		<u>\$ -</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 3,205,775	\$ 1,845,861	\$ 5,051,636
Cash with fiscal agent. . . . .	-	392	392
Cash in segregated accounts . . . . .	192,825	-	192,825
Receivables:			
Taxes. . . . .	9,872,395	1,145,239	11,017,634
Accounts. . . . .	2,226	-	2,226
Intergovernmental . . . . .	-	437,464	437,464
Due from other funds . . . . .	15,881	-	15,881
Prepayments. . . . .	111,680	-	111,680
Materials and supplies inventory. . . . .	-	62,216	62,216
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	367,603	-	367,603
<b>Total assets . . . . .</b>	<b>\$ 13,768,385</b>	<b>\$ 3,491,172</b>	<b>\$ 17,259,557</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 75,511	\$ 56,552	\$ 132,063
Accrued wages and benefits. . . . .	1,583,059	238,598	1,821,657
Compensated absences payable . . . . .	226,414	879	227,293
Pension obligation payable . . . . .	535,902	66,188	602,090
Intergovernmental payable . . . . .	188,253	16,383	204,636
Due to other funds . . . . .	-	15,881	15,881
Deferred revenue . . . . .	826,306	513,902	1,340,208
Unearned revenue. . . . .	7,367,614	1,194,035	8,561,649
<b>Total liabilities. . . . .</b>	<b>10,803,059</b>	<b>2,102,418</b>	<b>12,905,477</b>
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	123,150	281,313	404,463
Reserved for textbooks . . . . .	367,603	-	367,603
Reserved for materials and supplies . . . . .	-	62,216	62,216
Reserved for debt service . . . . .	-	403,483	403,483
Reserved for property tax unavailable for appropriation . . . . .	1,679,495	161,704	1,841,199
Reserved for prepayments. . . . .	111,680	-	111,680
Unreserved, undesignated, (deficit) reported in:			
General fund. . . . .	683,398	-	683,398
Special revenue funds . . . . .	-	32,320	32,320
Capital projects funds . . . . .	-	447,718	447,718
<b>Total fund balances . . . . .</b>	<b>2,965,326</b>	<b>1,388,754</b>	<b>4,354,080</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 13,768,385</b>	<b>\$ 3,491,172</b>	<b>\$ 17,259,557</b>

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, 2010

<b>Total governmental fund balances</b>		\$ 4,354,080
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,591,745
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 904,746	
Accounts receivable	1,020	
Intergovernmental receivable	434,442	
Total	1,340,208	1,340,208
Accrued interest payable is not due and payable within the current period, therefore it is not reported in the funds.		(35,640)
Unamortized premiums on bond issuance are not recognized in the funds.		(479,255)
Unamortized bond issuance costs are not recognized in the funds.		98,022
Unamortized deferred charges on refundings are not recognized in the funds.		381,232
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(1,705,000)	
School improvement refunding bonds	(5,985,857)	
Energy conservation notes	(463,056)	
Capital lease obligation	(456,514)	
Compensated absences	(1,420,372)	
Total	(10,030,799)	(10,030,799)
<b>Net assets of governmental activities</b>		<b>\$ 13,219,593</b>

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, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 9,736,028	\$ 1,020,665	\$ 10,756,693
Tuition . . . . .	1,291,488	-	1,291,488
Transportation fees . . . . .	60,854	-	60,854
Earnings on investments . . . . .	8,112	866	8,978
Charges for services . . . . .	-	318,819	318,819
Extracurricular . . . . .	-	364,134	364,134
Classroom materials and fees . . . . .	-	72,242	72,242
Payments in lieu of taxes . . . . .	58,620	-	58,620
Other local revenues . . . . .	177,753	295,737	473,490
Intergovernmental - Intermediate . . . . .	-	5,000	5,000
Intergovernmental - State . . . . .	11,135,448	533,759	11,669,207
Intergovernmental - Federal . . . . .	73	2,788,506	2,788,579
Total revenues . . . . .	<u>22,468,376</u>	<u>5,399,728</u>	<u>27,868,104</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	10,407,487	841,970	11,249,457
Special . . . . .	3,863,466	1,059,400	4,922,866
Vocational . . . . .	215,195	-	215,195
Other . . . . .	-	66,230	66,230
Support services:			
Pupil . . . . .	829,088	329,556	1,158,644
Instructional staff . . . . .	1,046,515	735,905	1,782,420
Board of education . . . . .	33,188	-	33,188
Administration . . . . .	1,781,379	12,206	1,793,585
Fiscal . . . . .	549,278	18,636	567,914
Business . . . . .	58,573	-	58,573
Operations and maintenance . . . . .	2,277,181	87,361	2,364,542
Pupil transportation . . . . .	771,462	88,341	859,803
Central . . . . .	18,134	1,537	19,671
Operation of non-instructional services:			
Food service operations . . . . .	-	861,985	861,985
Other non-instructional services . . . . .	1,533	199,085	200,618
Extracurricular activities . . . . .	297,174	400,882	698,056
Facilities acquisition and construction . . . . .	-	192,025	192,025
Debt service:			
Principal retirement . . . . .	150,000	485,000	635,000
Interest and fiscal charges . . . . .	54,091	309,829	363,920
Total expenditures . . . . .	<u>22,353,744</u>	<u>5,689,948</u>	<u>28,043,692</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>114,632</u>	<u>(290,220)</u>	<u>(175,588)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	1,826	254,328	256,154
Transfers (out) . . . . .	(254,328)	(1,826)	(256,154)
Total other financing sources (uses) . . . . .	<u>(252,502)</u>	<u>252,502</u>	<u>-</u>
<b>Special item:</b>			
Net assets to Tiffin City School District upon dissolution of component unit . . . . .	<u>184,025</u>	<u>-</u>	<u>184,025</u>
Net change in fund balances . . . . .	46,155	(37,718)	8,437
<b>Fund balances at beginning of year . . . . .</b>	<u>2,919,171</u>	<u>1,426,472</u>	<u>4,345,643</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,965,326</u>	<u>\$ 1,388,754</u>	<u>\$ 4,354,080</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, 2010

**Net change in fund balances - total governmental funds** \$ 8,437

*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 exceeded capital outlays in the current period.

Capital asset additions	\$ 659,976	
Current year depreciation	(820,784)	
Total		(160,808)

Capital assets, net of accumulated depreciation, have been transferred to the Tiffin City School District upon dissolution of component unit. 8,600

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (389)

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

Delinquent property taxes	347,811	
Transportation fees	748	
Other revenue	272	
Intergovernmental	(33,188)	
Total		315,643

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. 635,000

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:

Decrease in accrued interest payable	6,022	
Accreted interest on "capital appreciation bonds"	(61,841)	
Amortization of bond issuance costs	(7,306)	
Amortization of bond premiums	35,721	
Amortization of deferred charges on refundings	(28,415)	
Total		(55,819)

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. 181,684

**Change in net assets of governmental activities** **\$ 932,348**

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, 2010

	<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 . . . . .	\$ 9,109,250	\$ 9,037,975	\$ 9,047,109	\$ 9,134
Tuition. . . . .	1,205,437	1,290,374	1,291,488	1,114
Transportation fees. . . . .	80,852	60,786	60,854	68
Earnings on investments . . . . .	45,012	7,395	8,112	717
Payments in lieu of taxes. . . . .	116,789	58,620	58,620	-
Other local revenues . . . . .	170,541	179,598	178,771	(827)
Intergovernmental - State . . . . .	12,516,847	11,122,974	11,135,449	12,475
Intergovernmental - Federal . . . . .	-	75	73	(2)
Total revenue . . . . .	<u>23,244,728</u>	<u>21,757,797</u>	<u>21,780,476</u>	<u>22,679</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,565,595	10,308,769	10,433,056	(124,287)
Special. . . . .	3,884,608	3,767,149	3,891,434	(124,285)
Vocational. . . . .	209,013	253,473	214,164	39,309
Support services:				
Pupil. . . . .	873,002	842,220	844,252	(2,032)
Instructional staff . . . . .	931,229	1,012,169	997,103	15,066
Board of education . . . . .	40,249	42,942	44,110	(1,168)
Administration. . . . .	1,808,004	1,796,742	1,803,787	(7,045)
Fiscal . . . . .	560,938	549,569	554,359	(4,790)
Business . . . . .	34,742	235,813	58,573	177,240
Operations and maintenance. . . . .	2,399,606	2,444,963	2,309,791	135,172
Pupil transportation . . . . .	829,957	851,957	829,721	22,236
Central. . . . .	30,764	33,530	34,479	(949)
Extracurricular activities. . . . .	308,911	306,511	308,962	(2,451)
Facilities acquisition and construction . . . . .	205,437	208,850	203,545	5,305
Total expenditures . . . . .	<u>22,682,055</u>	<u>22,654,657</u>	<u>22,527,336</u>	<u>127,321</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>562,673</u>	<u>(896,860)</u>	<u>(746,860)</u>	<u>150,000</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	61,673	8,999	9,001	2
Refund of prior year receipt. . . . .	-	(473,560)	(551,550)	(77,990)
Transfers in . . . . .	-	1,824	1,826	2
Sale of assets . . . . .	1,308	446	422	(24)
Total other financing sources (uses) . . . . .	<u>62,981</u>	<u>(462,291)</u>	<u>(540,301)</u>	<u>(78,010)</u>
Net change in fund balance . . . . .	625,654	(1,359,151)	(1,287,161)	71,990
<b>Fund balance at beginning of year . . . . .</b>	4,311,339	4,311,339	4,311,339	-
<b>Prior year encumbrances appropriated . . . . .</b>	307,206	307,206	307,206	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,244,199</u>	<u>\$ 3,259,394</u>	<u>\$ 3,331,384</u>	<u>\$ 71,990</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 28,167	\$ 38,525
Total assets. . . . .	28,167	\$ 38,525
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 364
Due to students. . . . .	-	38,161
Total liabilities . . . . .	-	\$ 38,525
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	28,167	
Total net assets . . . . .	\$ 28,167	

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, 2010

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 172
Gifts and contributions. . . . .	2,657
	2,829
Total additions. . . . .	2,829
<b>Deductions:</b>	
Scholarships awarded . . . . .	5,787
	(2,958)
Change in net assets. . . . .	(2,958)
<b>Net assets at beginning of year . . . . .</b>	<b>31,125</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 28,167</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, 2010

**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 2,772. The District employed 266 certified employees and 163 non-certified employees. The District ranks as the 169<sup>th</sup> largest by enrollment among the 905 public and community school districts in the State.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has 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, 2010

**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 (see Note 19). On June 30, 2010, the Digital Academy ceased operations and transferred all assets and liabilities to the Tiffin City School District (see Note 18). 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*

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam and Van Wert counties and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

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

*INSURANCE PURCHASING POOLS*

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

General fund - The general fund is used to account for 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.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related cost; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (c) grants and other resources whose use is restricted to a particular purpose; and (d) 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, 2010

**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, 2010

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

**D. Basis of Accounting**

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, 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, 2010

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

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

**E. Budgets**

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

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

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

**F. Cash and Investments**

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

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

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

During fiscal year 2010, investments were limited to investments in State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts investments are reported at fair value which is based on quoted market prices.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$8,112, which includes \$1,955 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. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**I. Interfund Balances**

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, 2010 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, 2010

**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, textbooks, materials and supplies, debt service, property tax 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, 2010**

**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 17 for additional information regarding set-asides and the related restricted assets.

**R. Interfund Activity**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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. During fiscal year 2010, the District reported a special item for the net assets transferred to the District upon dissolution of the Tiffin City School Digital Academy community school which was a component unit of the District. See Note 18 for further detail on the transactions related to the dissolution of the District's component unit.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Uniform school supplies	\$ 11,444
IDEA part B	207,283
Stimulus Title IID	320
Title I	88,105
Improving teacher quality	22,622
Miscellaneous federal grants	5,265

The general fund is liable for any deficits in the nonmajor funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the uniform school supplies and miscellaneous federal grants funds were a result of negative cash fund balances at fiscal year end.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in such securities described are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$6,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**B. Cash with Fiscal Agent**

At fiscal year-end, the District had \$392 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the financial statements as “cash with fiscal agent”. The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 40. This amount is not included in the District’s depository balance below.

**C. Cash in Segregated Accounts**

At fiscal year-end, the District had \$192,825 in cash and cash equivalents held in a segregated account for Tiffin City School Digital Academy. This amount is included on the financial statements as “cash in segregated accounts”. This account was covered by the FDIC or pooled collateral held by the depository institution. This amount is not included in the District’s depository balance below.

**D. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$237,735. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$273,571 of the District’s bank balance of \$523,571 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**E. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities 6 months or less</u>
STAR Ohio	<u>\$ 5,242,196</u>	<u>\$ 5,242,196</u>
Total	<u>\$ 5,242,196</u>	<u>\$ 5,242,196</u>

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

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

*Concentration of Credit Risk:* The District investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ 5,242,196	100.00
Total	<u>\$ 5,242,196</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 237,735
Investments	5,242,196
Cash with fiscal agent	392
Cash in segregated accounts	192,825
Cash on hand	6,000
Total	<u>\$ 5,679,148</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,612,456
Private-purpose trust funds	28,167
Agency funds	38,525
Total	<u>\$ 5,679,148</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	
General	Nonmajor governmental funds	\$ 15,881

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These negative balances are allowable under Ohio Revised Code Section 3315.20. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfers from nonmajor governmental fund to:</u>		
General fund		\$ 1,826
<u>Transfers to nonmajor governmental funds from:</u>		
General fund		254,328

The poverty aid fund (a nonmajor governmental fund) transferred \$1,826 to the general fund as a residual equity transfer to close out the fund.

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.

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, 2010**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,679,495 in the general fund, \$112,615 in the debt service fund (a nonmajor governmental fund), \$28,077 in the permanent improvement capital projects fund (a nonmajor governmental fund) and \$21,012 in the middle school maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$1,018,125 in the general fund, \$91,560 in the debt service fund (a nonmajor governmental fund), \$14,079 in the permanent improvement capital projects fund (a nonmajor governmental fund) and \$14,599 in the middle school maintenance special revenue fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 331,688,380	93.73	\$ 329,704,130	94.03
Public utility personal	<u>22,178,910</u>	<u>6.27</u>	<u>20,925,090</u>	<u>5.97</u>
Total	<u>\$ 353,867,290</u>	<u>100.00</u>	<u>\$ 350,629,220</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$54.15		\$52.03	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 11,017,634
Accounts	2,226
Intergovernmental	<u>437,464</u>
Total governmental activities	<u>\$ 11,457,324</u>

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

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

This receivable, in the amount of \$433,880, 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, 2010

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance			Balance
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</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	5,000	-	2,033,136
Building and improvements	21,546,321	140,409	-	21,686,730
Furniture and equipment	3,426,964	444,784	(3,294)	3,868,454
School buses and vehicles	<u>1,010,283</u>	<u>111,170</u>	<u>-</u>	<u>1,121,453</u>
Total capital assets, being depreciated	<u>28,011,704</u>	<u>701,363</u>	<u>(3,294)</u>	<u>28,709,773</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,426,014)	(135,404)	-	(1,561,418)
Building and improvements	(7,186,684)	(452,925)	-	(7,639,609)
Furniture and equipment	(2,787,871)	(205,153)	2,905	(2,990,119)
School buses and vehicles	<u>(812,814)</u>	<u>(60,089)</u>	<u>-</u>	<u>(872,903)</u>
Total accumulated depreciation	<u>(12,213,383)</u>	<u>(853,571)</u>	<u>2,905</u>	<u>(13,064,049)</u>
Total capital assets, being depreciated, net	<u>15,798,321</u>	<u>(152,208)</u>	<u>(389)</u>	<u>15,645,724</u>
Governmental activities capital assets, net	<u>\$ 17,744,342</u>	<u>\$ (152,208)</u>	<u>\$ (389)</u>	<u>\$ 17,591,745</u>

Upon dissolution of the Digital Academy (see Note 18), the Digital Academy transferred capital assets with a cost and accumulated depreciation of \$41,387 and \$32,787, respectively, to the District. These amounts are reflected as “additions” in the above schedule.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 385,460
Special	102,674
Vocational	11,853
 <u>Support services:</u>	
Pupil	41,953
Instructional staff	49,683
Administration	67,984
Fiscal	12,016
Operations and maintenance of plant	51,680
Pupil transportation	57,431
Central	1,461
 <u>Operation of non-instructional services:</u>	
Food service operations	16,142
Other non-instructional services	4,241
Extracurricular	<u>18,206</u>
 Total depreciation expense	 820,784
 Accumulated deprecation on capital assets transferred to the District upon dissolution of component unit	  <u>32,787</u>
 Total increase to accumulated depreciation	  <u><u>\$ 853,571</u></u>

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

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

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

Governmental activities capital assets consisting of school buses, boilers and windows have been capitalized in the amount of \$1,085,098. These amounts represent the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2010 fiscal year totaled \$61,100 and \$25,719, respectively. These amounts are reported as debt service payments of the general fund.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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, 2010:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 86,819
2012	86,819
2013	86,819
2014	86,819
2015	86,819
2016 - 2017	<u>101,288</u>
Total minimum lease payment	535,383
Less: amount representing interest	<u>(78,869)</u>
Present value of minimum lease payments	<u>\$ 456,514</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2010, the following activity occurring in the governmental activities long-term obligations:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental activities:</b>					
Citicorp-energy conservation note, 5.25%; matures 7/15/2015	\$ 551,956	\$ -	\$ (88,900)	\$ 463,056	\$ 93,681
School improvement general obligation bonds, 2.90% to 6.15% matures 12/01/2014	2,090,000	-	(385,000)	1,705,000	400,000
School improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	6,024,016	61,841	(100,000)	5,985,857	100,000
Compensated absences	1,761,963	149,911	(264,209)	1,647,665	306,355
Capital lease	<u>517,614</u>	<u>-</u>	<u>(61,100)</u>	<u>456,514</u>	<u>64,386</u>
Total governmental activities	<u>\$ 10,945,549</u>	<u>\$ 211,752</u>	<u>\$ (899,209)</u>	10,258,092	<u>\$ 964,422</u>
Less: deferred charge on refunding				(381,232)	
Add: unamortized premium				<u>479,255</u>	
Total on statement of net assets				<u>\$ 10,356,115</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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
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>\$ 1,705,000</u>	<u>\$ 159,006</u>	<u>\$ 1,864,006</u>

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

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

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2011	\$ 93,681	\$ 23,097	\$ 116,778
2012	98,719	18,113	116,832
2013	104,028	12,862	116,890
2014	109,622	7,328	116,950
2015	<u>57,006</u>	<u>1,496</u>	<u>58,502</u>
Total	<u>\$ 463,056</u>	<u>\$ 62,896</u>	<u>\$ 525,952</u>

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 \$160,857 has been included on the statement of net assets. Principal and interest payments are paid from the debt service fund (a nonmajor governmental fund).

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

The following is a schedule of activity for fiscal year 2010 on the series 2007 refunding bonds:

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2010</u>
Current interest bonds	\$ 5,715,000	\$ -	\$ (100,000)	\$ 5,615,000
Capital appreciation bonds	210,000	-	-	210,000
Accreted interest on capital appreciation bonds	<u>99,016</u>	<u>61,841</u>	-	<u>160,857</u>
Total refunding bonds	<u>\$ 6,024,016</u>	<u>\$ 61,841</u>	<u>\$ (100,000)</u>	<u>\$ 5,985,857</u>

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

Fiscal Year Ending June 30	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 100,000	\$ 221,119	\$ 321,119	\$ -	\$ -	\$ -
2012	100,000	217,369	317,369	-	-	-
2013	105,000	213,525	318,525	-	-	-
2014	110,000	209,425	319,425	-	-	-
2015	565,000	196,347	761,347	-	-	-
2016 - 2020	1,835,000	794,300	2,629,300	210,000	985,000	1,195,000
2021 - 2024	<u>2,800,000</u>	<u>229,400</u>	<u>3,029,400</u>	-	-	-
Total	<u>\$ 5,615,000</u>	<u>\$ 2,081,485</u>	<u>\$ 7,696,485</u>	<u>\$ 210,000</u>	<u>\$ 985,000</u>	<u>\$ 1,195,000</u>

**TIFFIN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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, 2010, are a voted debt margin of \$24,787,385 (including available funds of \$760,755) and an unvoted debt margin of \$350,629.

**NOTE 11 - COMPENSATED ABSENCES**

**A. Vacation**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Certified and classified employees with one or more years of service are entitled to vacation ranging from 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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

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

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

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

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SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**B. Health Insurance**

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

**C. Workers' Compensation**

For fiscal year 2010, the District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$418,477, \$277,003 and \$282,493, respectively; 43.06 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**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 Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

Funding Policy - For fiscal year 2010, 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, 2010, 2009 and 2008 were \$1,493,646, \$1,498,508 and \$1,442,803, respectively; 83.55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$40,896 made by the District and \$29,211 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$76,662, \$188,971 and \$190,180, respectively; 43.06 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$24,886, \$22,855 and \$20,354, respectively; 43.06 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**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 2010, 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, 2010, 2009, and 2008 were \$114,896, \$115,270 and \$110,985, respectively; 83.55 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 15 - 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); and,
- (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).

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$(1,287,161)
Net adjustment for revenue accruals	687,900
Net adjustment for expenditure accruals	(84,283)
Net adjustment for other sources/uses	287,799
Adjustment for net assets to Tiffin City School District upon dissolution of component unit	184,025
Adjustment for encumbrances	257,875
GAAP basis	<u>\$ 46,155</u>

**NOTE 16 - CONTINGENCIES/SUBSEQUENT EVENT**

**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.

**C. Treasurer**

Effective December 6, 2010, Sharon Perry was hired as the Treasurer of the District.

**NOTE 17 - 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 17 - 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:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2009	\$ 291,202	\$ -
Current year set-aside requirement	448,228	448,228
Current year offsets	-	(170,885)
Qualifying disbursements	<u>(371,827)</u>	<u>(885,010)</u>
Total	<u>\$ 367,603</u>	<u>\$ (607,667)</u>
Balance carried forward to fiscal year 2011	<u>\$ 367,603</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, 2010 follows:

Amount restricted for textbooks/instructional materials	<u>\$ 367,603</u>
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**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 18 - COMMUNITY SCHOOL**

Effective June 30, 2010, the Digital Academy ceased operations upon the expiration of the Sponsorship Contract. In accordance with the Sponsorship Contract, upon dissolution, any remaining assets and liabilities of the Digital Academy are to be conveyed to the Sponsor (the District). On June 30, 2010, the Digital Academy transferred the following assets and liabilities to the District in accordance with the Sponsorship Contract:

	<u>Tiffin City Schools Digital Academy</u>
<u>Assets:</u>	
Cash in segregated accounts	\$ 192,825
Accounts receivables	<u>1,200</u>
Assets to Tiffin City School District upon dissolution	<u>194,025</u>
<u>Liabilities:</u>	
Accounts payable	<u>10,000</u>
Liabilities to Tiffin City School District upon dissolution	<u>10,000</u>
Total net assets to Tiffin City School District reported on fund financial statements	184,025
Community school capital assets, net, to Tiffin City School District upon dissolution: Capitalized by Tiffin City School District	<u>8,600</u>
Total net assets to Tiffin City School District reported on government-wide financial statements	<u>\$ 192,625</u>

On the fund financial statements, the transfer of net assets to the District (\$184,025) is reflected on the statement of revenues, expenditures, and changes in fund balances as a special item titled "Net assets to Tiffin City School District upon dissolution of component unit". The assets and liabilities transferred are reported in the District's general fund on the balance sheet.

On the government-wide financial statements, the transfer of net assets to the District (\$192,625) is reflected on the statement of activities as a special item titled "Net assets to Tiffin City School District upon dissolution of component unit". The assets and liabilities transferred are reported in the governmental activities column on the statement of net assets. Component unit capital assets, net of accumulated depreciation, that were transferred to the District that meet the District's capitalization threshold were recorded as capital assets on the statement of net assets. The amount of capital assets, net of accumulated depreciation, recorded on the District's statement of net assets was \$8,600.

During the dissolution process the Digital Academy consulted the Ohio Department of Education, Office of Community Schools.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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.

**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) guidance issued prior to November 30, 1989, provided they do not do not conflict with or contradict GASB pronouncements. The Digital Academy has elected not to apply FASB guidance 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.

In accordance with the Sponsorship Contract (see Note 19.J.), the Digital Academy transferred all assets, liabilities and net assets to the District on June 30, 2010; therefore, the Digital Academy does not present a statement of net assets at June 30, 2010.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

***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 the District. The contract between the Digital Academy and the District 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 District. All cash received by the fiscal agent is maintained in a separate account in the Digital Academy's name. In accordance with the Sponsorship Contract (see Note 19.J.), the Digital Academy transferred all remaining cash to the District on June 30, 2010.

***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.

In accordance with the Sponsorship Contract (see Note 19.J.), the Digital Academy transferred all capital assets, net of accumulated depreciation, to the District on June 30, 2010.

***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 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.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The Digital Academy received various State and Federal grants during fiscal year 2010 in the amount of \$33,274.

*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**

All monies received by the Digital Academy were deposited in a demand deposit account. In accordance with the Sponsorship Contract (see Note 19.J.), all remaining cash was transferred to the District at June 30, 2010.

**C. Capital Assets**

A summary of capital assets at June 30, 2010 follows:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Transfer</u> <u>of Assets</u> <u>to District</u>	<u>Balance</u> <u>6/30/10</u>
Furniture and equipment	\$ 41,387	\$ -	\$ (41,387)	\$ -
Less: accumulated depreciation	<u>(26,314)</u>	<u>(6,473)</u>	<u>32,787</u>	<u>-</u>
Net capital assets	<u>\$ 15,073</u>	<u>\$ (6,473)</u>	<u>\$ (8,600)</u>	<u>\$ -</u>

In accordance with the Sponsorship Contract (see Note 19.J.), the Digital Academy transferred all capital assets, net of accumulated depreciation, to the District on June 30, 2010.

**D. 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 District.

Coverage's are as follows:

General Liability:	Limits of Coverage:
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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**E. 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 District. The sponsorship agreement states the Digital Academy shall acquire the services of a qualified fiscal officer. The Treasurer of the 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 District.

The Digital Academy shall pay to the District such other amounts as are mutually agreed, including fees for any services provided to the Academy by the District. During the year ended June 30, 2010, the Digital Academy paid \$128,045 to the District. The expenses were primarily related to salaries and benefits.

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

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

The Digital Academy entered into a contract for fiscal year 2010, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 \$3,875 per full-time student. Part-time students may be enrolled on such terms as agreed to by the parties.

For fiscal year 2010, \$78,163 was paid to TRECA.

To obtain TRECA's audited June 30, 2010 financial statements please contact Scott Armstrong, Treasurer, at scott@treca.org.

**G. Related Party Transactions**

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

Tiffin City School District (Sponsor)	<u>\$ 128,045</u>
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**H. 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, 2010.

*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.

*Litigation* - The Digital Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**TIFFIN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**I. 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 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.

**J. Continued Existence**

Due to a lack of grant funding and the expectations of the operation of the Digital Academy that would have resulted in the ineffective spending and an overuse of personnel, the Digital Academy ceased operations as of June 30, 2010 upon the expiration of the Sponsorship Contract.

In accordance with the Sponsorship Contract, upon dissolution, any remaining assets and liabilities of the Digital Academy are to be conveyed to the Sponsor (the District). On June 30, 2010, the Digital Academy transferred the following assets and liabilities to the District in accordance with the Sponsorship Contract:

<u>Assets:</u>	
Cash	\$ 192,825
Capital assets, net of accumulated depreciation	8,600
Accounts receivables	<u>1,200</u>
Total assets to Tiffin City School District upon dissolution	<u>202,625</u>
<u>Liabilities:</u>	
Accounts payable	<u>10,000</u>
Total liabilities to Tiffin City School District upon dissolution	<u>10,000</u>
Total net assets to Tiffin City School District upon dissolution	<u>\$ 192,625</u>

At June 30, 2010, the \$192,825, on deposit in the Digital Academy’s checking account was transferred to the District. On the financial statements of the District, the balance of the checking account is reported as “cash in segregated accounts”.

During the dissolution process the Digital Academy consulted the Ohio Department of Education, Office of Community Schools.

## **SUPPLEMENTARY DATA**

TIFFIN CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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>				
<b>Nutrition Grant Cluster:</b>				
(C)(D) School Breakfast Program	10.553	2010	\$ 29,573	\$ 29,573
(D)(E) National School Lunch Program-Food Donations	10.555	2010	56,638	56,638
(C)(D) National School Lunch Program	10.555	2010	441,824	441,824
<b>Total National School Lunch Program</b>			498,462	498,462
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluster</b>			528,035	528,035
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(F) Title I Grants to Local Educational Agencies	84.010	2009	-	55,882
(F) Title I Grants to Local Educational Agencies	84.010	2010	359,392	338,873
<b>Total Title I Grants to Local Educational Agencies</b>			359,392	394,755
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	177,271	175,440
<b>Total Title I Grant Cluster</b>			536,663	570,195
<b>Special Education Grant Cluster:</b>				
(G)(H) Special Education Grants to States	84.027	2009	(108,649)	95,728
(G)(H) Special Education Grants to States	84.027	2010	670,544	517,578
<b>Total Special Education Grants to States</b>			561,895	613,306
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	646,242	537,070
<b>Total Special Education Grant Cluster</b>			1,208,137	1,150,376
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	5,660	3,860
State Grants for Innovative Programs	84.298	2010	-	44
Education Technology State Grants	84.318	2009	-	910
Education Technology State Grants	84.318	2010	3,392	7,266
<b>Total Education Technology State Grants</b>			3,392	8,176
English Language Acquisition Grants	84.365	2010	2,951	2,951
(H) Improving Teacher Quality State Grants	84.367	2009	(22,368)	4,115
(H) Improving Teacher Quality State Grants	84.367	2010	166,527	143,111
<b>Total Improving Teacher Quality State Grants</b>			144,159	147,226
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	609,357	609,358
<b>Total U.S. Department of Education</b>			2,510,319	2,492,186
<b>Total Federal Financial Assistance</b>			\$ 3,038,354	\$ 3,020,221

continued

**TIFFIN CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2010.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs
- (G) Included as part of "Special Education Grant Cluster" in determining major programs
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2010, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_Grants to States	84.027	2009	\$ 108,649	
Special Education_Grants to States	84.027	2010		\$ 108,649
Improving Teacher Quality State Grants	84.367	2009	22,368	
Improving Teacher Quality State Grants	84.367	2010		22,368
Totals			<u>\$ 131,017</u>	<u>\$ 131,017</u>

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



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

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

**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***

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

To the of the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Tiffin City School District's basic financial statements and have issued our report thereon dated December 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education  
Tiffin City School District

Compliance and Other Matters

As part of reasonably assuring whether the Tiffin City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Julian & Grube, Inc.  
December 27, 2010



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

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

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Tiffin City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Tiffin City School District's major federal programs. The Tiffin City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Tiffin City School District's compliance based on our audit.

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 \$31,542, and expended \$31,542 in federal awards during fiscal year 2010 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, 2010. 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, 2010 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Tiffin City School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tiffin City School District's compliance with those requirements.

In our opinion, the Tiffin City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Board of Education  
Tiffin City School District

Internal Control Over Compliance

The Tiffin City School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tiffin City School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Tiffin City School District's internal control over compliance.

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

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

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



Julian & Grube, Inc.  
December 27, 2010

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010; ARRA - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389; Special Education Grant Cluster: Special Education Grants to States - CFDA #84.027; ARRA - Special Education Grants to States, Recovery Act - CFDA # 84.391; ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act - CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2010**

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

None

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

None



# Dave Yost • Auditor of State

TIFFIN CITY SCHOOL DISTRICT

SENECA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 8, 2011