



Dave Yost • Auditor of State

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tipp City Exempted Village School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, each major fund, and the aggregate remaining fund information of Tipp City Exempted Village School District, Miami County, Ohio as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 15, 2012

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

Unaudited

The discussion and analysis of Tipp City Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets increased \$617,819, which represents a 10% increase from 2010.
- ❑ General revenues accounted for \$23,892,478 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,854,988 or 14% of total revenues of \$27,747,466.
- ❑ The District had \$27,129,647 in expenses related to governmental activities; only \$3,854,988 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,892,478 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$22,065,273 in revenues and \$22,106,809 in expenditures. The general fund's fund balance decreased \$71,536 to \$683,192.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- ***Governmental Activities*** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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 that can readily be converted to cash. The governmental fund 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 financial statements.

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs. All of the District's fiduciary activities are reported in the Fiduciary Statement of Assets and Liabilities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2011 compared to 2010.

| | Governmental Activities | | Increase (Decrease) |
|--|----------------------------|--------------|------------------------|
| | 2011 | 2010 | |
| Current and other assets | \$16,334,268 | \$16,335,793 | (\$1,525) |
| Capital assets, Net | 23,289,332 | 23,926,058 | (636,726) |
| Total assets | 39,623,600 | 40,261,851 | (638,251) |
| Long-term debt outstanding | 19,723,953 | 20,789,777 | (1,065,824) |
| Other liabilities | 13,320,306 | 13,510,552 | (190,246) |
| Total liabilities | 33,044,259 | 34,300,329 | (1,256,070) |
| Net assets | | | |
| Invested in capital assets, net of related debt | 7,013,434 | 7,236,846 | (223,412) |
| Restricted | 1,860,210 | 2,126,285 | (266,075) |
| Unrestricted | (2,294,303) | (3,401,609) | 1,107,306 |
| Total net assets | \$6,579,341 | \$5,961,522 | \$617,819 |

Overall, total assets of the District's governmental activities remained stable, decreasing approximately 1% compared to the prior year. An increase in accumulated depreciation resulted in the decrease in capital assets. Total liabilities decreased approximately 4%. The majority of this decrease can be attributed to the retirement of general obligation bonds.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 compared with fiscal year 2010:

| | Governmental Activities | | Increase (Decrease) |
|---|----------------------------|---------------------------|-------------------------|
| | 2011 | 2010 | |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services and Sales | \$1,805,394 | \$1,699,138 | \$106,256 |
| Operating Grants and Contributions | 2,049,594 | 1,866,007 | 183,587 |
| Total Program Revenues | <u>3,854,988</u> | <u>3,565,145</u> | 289,843 |
| General Revenues: | | | |
| Property Taxes | 13,226,124 | 11,629,053 | 1,597,071 |
| Intergovernmental, Unrestricted | 10,492,696 | 10,715,402 | (222,706) |
| Other | 173,658 | 220,058 | (46,400) |
| Total General Revenues | <u>23,892,478</u> | <u>22,564,513</u> | 1,327,965 |
| Total Revenues | <u>27,747,466</u> | <u>26,129,658</u> | 1,617,808 |
| Program Expenses | | | |
| Instruction | 15,503,726 | 14,177,296 | 1,326,430 |
| Support Services: | | | |
| Pupils | 1,057,233 | 855,937 | 201,296 |
| Instructional Staff | 1,264,423 | 1,138,633 | 125,790 |
| Board of Education | 18,067 | 27,592 | (9,525) |
| Administration | 1,664,690 | 1,553,452 | 111,238 |
| Fiscal Services | 577,225 | 554,833 | 22,392 |
| Business | 122,641 | 0 | 122,641 |
| Operation and Maintenance of Plant | 2,199,911 | 2,252,993 | (53,082) |
| Pupil Transportation | 1,174,321 | 1,102,031 | 72,290 |
| Central | 618,633 | 430,667 | 187,966 |
| Community Services | 9,511 | 8,256 | 1,255 |
| Operation of Non-Instructional Services | 844,705 | 841,493 | 3,212 |
| Extracurricular Activities | 1,211,407 | 1,177,037 | 34,370 |
| Interest and Fiscal Charges | 863,154 | 951,703 | (88,549) |
| Total expenses | <u>27,129,647</u> | <u>25,071,923</u> | 2,057,724 |
| Total Change in Net Assets | 617,819 | 1,057,735 | (439,916) |
| Beginning Net Assets | <u>5,961,522</u> | <u>4,903,787</u> | 1,057,735 |
| Ending Net Assets | <u><u>\$6,579,341</u></u> | <u><u>\$5,961,522</u></u> | <u><u>\$617,819</u></u> |

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

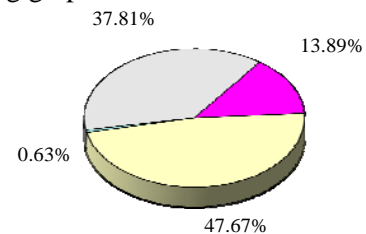
Governmental Activities

Net assets of the District's governmental activities increased \$617,819. An increase in the amount of property tax advance available resulted in the increase in property tax revenues. The increase in instruction can mostly be attributed to an increase in salaries and related expenses.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 48% of revenues for governmental activities of the District in fiscal year 2011. The District's reliance upon tax revenues is demonstrated by the following graph:

| <u>Revenue Sources</u> | <u>2011</u> | <u>Percent of Total</u> |
|---------------------------------|---------------------|-----------------------------|
| Intergovernmental, Unrestricted | \$10,492,696 | 37.81% |
| Program Revenues | 3,854,988 | 13.89% |
| General Tax Revenues | 13,226,124 | 47.67% |
| General Other | 173,658 | 0.63% |
| Total Revenue | <u>\$27,747,466</u> | <u>100.00%</u> |



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$2,685,710, which is above last year's balance of \$2,530,159. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

| | <u>Fund Balance June 30, 2011</u> | <u>Restated Fund Balance June 30, 2010</u> | <u>Increase (Decrease)</u> |
|--------------------|---------------------------------------|--|--------------------------------|
| General | \$683,192 | \$754,728 | (\$71,536) |
| Debt Service | 1,385,556 | 1,209,475 | 176,081 |
| Other Governmental | 616,962 | 565,956 | 51,006 |
| Total | <u>\$2,685,710</u> | <u>\$2,530,159</u> | <u>\$155,551</u> |

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

| | 2011 | Restated 2010 | Increase (Decrease) |
|----------------------------|---------------------|---------------------|------------------------|
| | <u>Revenues</u> | <u>Revenues</u> | <u>(Decrease)</u> |
| Taxes | \$11,051,278 | \$9,679,121 | \$1,372,157 |
| Tuition and Fees | 603,979 | 447,321 | 156,658 |
| Investment Earnings | 10,249 | 22,501 | (12,252) |
| Extracurricular Activities | 258,632 | 250,367 | 8,265 |
| Intergovernmental - State | 10,102,057 | 10,485,835 | (383,778) |
| All Other Revenue | 39,078 | 78,153 | (39,075) |
| Total | <u>\$22,065,273</u> | <u>\$20,963,298</u> | <u>\$1,101,975</u> |

Overall, General Fund revenues in 2011 increased approximately 5% compared to revenues in fiscal year 2010. An increase in the amount of property tax advance available resulted in the increase in taxes. The increase in tuition and fees was the result of the addition of open enrollment in 2010.

| | 2011 | Restated 2010 | Increase (Decrease) |
|------------------------------------|---------------------|---------------------|------------------------|
| | <u>Expenditures</u> | <u>Expenditures</u> | <u>(Decrease)</u> |
| Instruction | \$13,713,939 | \$12,407,823 | \$1,306,116 |
| Supporting Services: | | | |
| Pupils | 1,050,713 | 853,004 | 197,709 |
| Instructional Staff | 1,242,881 | 1,115,724 | 127,157 |
| Board of Education | 17,327 | 28,782 | (11,455) |
| Administration | 1,076,802 | 1,032,940 | 43,862 |
| Fiscal Services | 578,482 | 550,052 | 28,430 |
| Business | 122,641 | 0 | 122,641 |
| Operation and Maintenance of Plant | 2,200,547 | 2,138,281 | 62,266 |
| Pupil Transportation | 938,186 | 930,622 | 7,564 |
| Central | 335,419 | 286,818 | 48,601 |
| Community Services | 7,738 | 7,687 | 51 |
| Extracurricular Activities | 746,080 | 713,215 | 32,865 |
| Debt Service | | | |
| Principal Retirement | 60,019 | 57,371 | 2,648 |
| Interest and Fiscal Charges | 16,035 | 18,683 | (2,648) |
| Total | <u>\$22,106,809</u> | <u>\$20,141,002</u> | <u>\$1,965,807</u> |

Overall, expenditures increased \$1,965,807 or approximately 10% compared to the prior year. The increase in instruction can mostly be attributed to an increase in salaries and related expenditures.

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.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

During the course of fiscal year 2011 the District amended its General Fund budget several times, none significant.

For the General Fund, original budgeted, final budgeted, and actual budget basis revenues were not significantly different. Original budgeted and final budgeted expenditures were not significantly different. Actual budget basis expenditures were approximately 3% less than final budget amounts. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011 the District had \$23,289,332 net of accumulated depreciation invested in land, land improvements, buildings and improvements, and machinery and equipment. The following table shows fiscal year 2011 and 2010 balances:

| | Governmental Activities | | Increase (Decrease) |
|--------------------------------|----------------------------|--------------|------------------------|
| | 2011 | 2010 | |
| Land | \$1,928,313 | \$1,928,313 | \$0 |
| Land Improvements | 3,906,022 | 3,906,022 | 0 |
| Buildings and Improvements | 26,392,536 | 26,392,536 | 0 |
| Machinery and Equipment | 4,600,748 | 4,411,387 | 189,361 |
| Less: Accumulated Depreciation | (13,538,287) | (12,712,200) | (826,087) |
| Totals | \$23,289,332 | \$23,926,058 | (\$636,726) |

The increase in machinery and equipment was mostly the result of the acquisition of school busses.

Additional information on the District's capital assets can be found in Note 11.

Debt

At June 30, 2011, the District had \$17.4 million in bonds outstanding, \$1,000,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2011 compared with 2010:

| | 2011 | 2010 |
|--------------------------|--------------|--------------|
| Governmental Activities: | | |
| General Obligation Bond: | | |
| School Improvement | \$0 | \$195,000 |
| Multi-Purpose | 17,405,844 | 17,994,392 |
| Capital Leases Payable | 306,262 | 366,281 |
| Compensated Absences | 2,011,847 | 2,234,104 |
| Totals | \$19,723,953 | \$20,789,777 |

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

Unaudited

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2011, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 14.

ECONOMIC FACTORS

The City of Tipp City is located eight miles north of the I75/I70 interchange, along the I75 corridor. There is also railway access as well, and the Dayton International Airport is located within 15 miles of the City. With all these factors the school has an excellent commercial base and has experienced very good growth in residential base over the last few years.

Tipp City Exempted Village Schools are dependent on Real Estate Taxes as well as the State Foundation. The mix in receipts is around 60% Local and 40% State. This is a reversal from 10 years ago, thus drawing further attention to recent State funding issues.

In November 2001 the voters approved a \$22,600,000 Bond Issue for the purpose of constructing a new high school. As of June 30, 2011, there were \$16,524,985 outstanding in bonds. Voters originally approved millage of 4.7 mills with an amortization of 28 years. However due to the lower interest rates at the time the bonds were sold, the district was able to shorten the amortization by 3 years and currently collect 4.18 mills to service the debt.

The new high school was completed with move-in spring break in 2004. The new high school is a 1000 student high school. The old high school could accommodate 800 students and is now a grade 6 through 8 middle school. The District has experienced a slight growth in enrollment over the past few years. The District starting participating in open enrollment starting July 1, 2009 limited to "contiguous districts". This generated additional revenues of \$420,000 with no addition in staffing. The District is currently developing an ongoing plan for future construction.

The District currently has a 2 mill Permanent Improvement Levy in place which was renewed in the November 2008 elections for an additional 5 years. The District passed a 7.57 mill Emergency Renewal Levy in May 2009 for a 3 year period which will generate approximately \$2.7 million a year. The voters also approved a new 2.61 mill Emergency Levy in May 2009 with collection beginning January 1, 2010 for three years. This additional Emergency Levy will generate approximately \$990,000 each year. The District is currently at the 20 mill floor.

The greatest unknown at this time is the future of State Funding. Tangible Personal Property Tax was eliminated by the State over a four year period. The schools are reimbursed by the State for the loss of taxes however beginning July 1, 2011 the reimbursement will be phased out over the next four years due to State budget cuts. The District received \$556,956 in FY2011 from the State Fiscal Stabilization Fund (ARRA) that program will not extend into FY2012. That coupled with the reduction of the Personal Property Tax Reimbursement represents a cut in funding in FY2012 of \$1,325,000. Budget cuts approved by the Board of Education, were mostly in the area of personnel and was accomplished through attrition due to several retirements. Tipp City Exempted Village School District has committed itself to financial excellence for many years. The district is also rated Excellent by the Ohio Department of Education.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30,2011***

Unaudited

REQUESTS FOR INFORMATION

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 Joseph E. Smith, Treasurer of Tipp City Exempted Village School District.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets **June 30, 2011**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and Cash Equivalents | \$ 3,292,415 |
| Receivables: | |
| Taxes | 12,631,917 |
| Accounts | 8,000 |
| Intergovernmental | 140,809 |
| Interest | 494 |
| Inventory of Supplies at Cost | 16,940 |
| Prepaid Items | 65,700 |
| Restricted Assets: | |
| Cash with Fiscal Agent | 7,422 |
| Unamortized Bond Issuance Cost | 170,571 |
| Non-Depreciable Capital Assets | 1,928,313 |
| Depreciable Capital Assets, Net | 21,361,019 |
| Total Assets | <u>39,623,600</u> |
| Liabilities: | |
| Accounts Payable | 258,688 |
| Accrued Wages and Benefits | 1,861,584 |
| Intergovernmental Payable | 633,993 |
| Unearned Revenue - Taxes | 10,425,138 |
| Accrued Interest Payable | 60,271 |
| Liabilities Payable from Restricted Assets: | |
| Matured Bonds & Interest Payable | 7,422 |
| Compensated Absences Payable | 73,210 |
| Long Term Liabilities: | |
| Due Within One Year | 1,183,744 |
| Due in More Than One Year | 18,540,209 |
| Total Liabilities | <u>33,044,259</u> |
| Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 7,013,434 |
| Restricted For: | |
| Capital Projects | 504,300 |
| Debt Service | 1,355,910 |
| Unrestricted (Deficit) | (2,294,303) |
| Total Net Assets | <u>\$ 6,579,341</u> |

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities
For the Fiscal Year Ended June 30, 2011

| | | Program Revenues | | Net (Expense) |
|---|----------------------|--------------------------------------|--|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction | \$ 15,503,726 | \$ 637,760 | \$ 980,757 | \$ (13,885,209) |
| Support Services: | | | | |
| Pupils | 1,057,233 | 0 | 2,702 | (1,054,531) |
| Instructional Staff | 1,264,423 | 0 | 35,060 | (1,229,363) |
| Board of Education | 18,067 | 0 | 0 | (18,067) |
| Administration | 1,664,690 | 0 | 556,955 | (1,107,735) |
| Fiscal Services | 577,225 | 0 | 0 | (577,225) |
| Business | 122,641 | 0 | 0 | (122,641) |
| Operation and Maintenance of Plant | 2,199,911 | 0 | 0 | (2,199,911) |
| Pupil Transportation | 1,174,321 | 0 | 160,877 | (1,013,444) |
| Central | 618,633 | 0 | 16,375 | (602,258) |
| Community Services | 9,511 | 0 | 0 | (9,511) |
| Operation of Non-Instructional Services | 844,705 | 501,136 | 296,868 | (46,701) |
| Extracurricular Activities | 1,211,407 | 666,498 | 0 | (544,909) |
| Interest and Fiscal Charges | 863,154 | 0 | 0 | (863,154) |
| Total Governmental Activities | \$ 27,129,647 | \$ 1,805,394 | \$ 2,049,594 | (23,274,659) |
| General Revenues | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 11,095,101 |
| Debt Service | | | | 1,540,024 |
| Capital Outlay | | | | 590,999 |
| Intergovernmental, Unrestricted | | | | 10,492,696 |
| Investment Earnings | | | | 11,858 |
| Miscellaneous | | | | 161,800 |
| Total General Revenues | | | | 23,892,478 |
| Change in Net Assets | | | | 617,819 |
| Net Assets Beginning of Year | | | | 5,961,522 |
| Net Assets End of Year | | | | \$ 6,579,341 |

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,455,816 | \$ 1,153,525 | \$ 683,074 | \$ 3,292,415 |
| Receivables: | | | | |
| Taxes | 10,627,276 | 1,445,677 | 558,964 | 12,631,917 |
| Accounts | 8,000 | 0 | 0 | 8,000 |
| Intergovernmental | 0 | 0 | 140,809 | 140,809 |
| Interest | 489 | 0 | 5 | 494 |
| Interfund Loans Receivable | 46,200 | 0 | 0 | 46,200 |
| Inventory of Supplies at Cost | 0 | 0 | 16,940 | 16,940 |
| Prepaid Items | 57,237 | 0 | 8,463 | 65,700 |
| Restricted Assets: | | | | |
| Cash with Fiscal Agent | 0 | 7,422 | 0 | 7,422 |
| Total Assets | \$ 12,195,018 | \$ 2,606,624 | \$ 1,408,255 | \$ 16,209,897 |
| Liabilities: | | | | |
| Accounts Payable | \$ 131,428 | \$ 0 | \$ 127,260 | \$ 258,688 |
| Accrued Wages and Benefits | 1,737,874 | 0 | 123,710 | 1,861,584 |
| Intergovernmental Payable | 608,748 | 0 | 25,245 | 633,993 |
| Matured Bonds and Interest Payable | 0 | 7,422 | 0 | 7,422 |
| Interfund Loans Payable | 200 | 0 | 46,000 | 46,200 |
| Deferred Revenue - Taxes | 8,960,366 | 1,213,646 | 469,078 | 10,643,090 |
| Compensated Absences Payable | 73,210 | 0 | 0 | 73,210 |
| Total Liabilities | 11,511,826 | 1,221,068 | 791,293 | 13,524,187 |
| Fund Balance: | | | | |
| Nonspendable | 57,237 | 0 | 25,403 | 82,640 |
| Restricted | 0 | 1,385,556 | 656,542 | 2,042,098 |
| Committed | 11,000 | 0 | 0 | 11,000 |
| Assigned | 123,072 | 0 | 0 | 123,072 |
| Unassigned | 491,883 | 0 | (64,983) | 426,900 |
| Total Fund Balances | 683,192 | 1,385,556 | 616,962 | 2,685,710 |
| Total Liabilities and Fund Balance | \$ 12,195,018 | \$ 2,606,624 | \$ 1,408,255 | \$ 16,209,897 |

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities June 30, 2011

| | | |
|--|-----------------|-------------------------|
| Total Governmental Fund Balances | \$ | 2,685,710 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because</i> | | |
| Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. | | 23,289,332 |
| Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds. | | |
| Delinquent Property Taxes Receivable | 217,952 | |
| Unamortized Bond Issuance Cost | <u>170,571</u> | 388,523 |
| 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 | (16,524,985) | |
| Interest Accretion | (1,265,637) | |
| Bond Premium | (181,261) | |
| Deferred Loss on Early Retirement of Debt | 566,039 | |
| Capital Leases | (306,262) | |
| Compensated Absences | (2,011,847) | |
| Accrued Interest Payable | <u>(60,271)</u> | <u>(19,784,224)</u> |
| <i>Net Assets of Governmental Activities</i> | \$ | <u>6,579,341</u> |

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2011

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Local Sources: | | | | |
| Taxes | \$ 11,051,278 | \$ 1,533,937 | \$ 588,621 | \$ 13,173,836 |
| Tuition and Fees | 603,979 | 0 | 0 | 603,979 |
| Investment Earnings | 10,249 | 0 | 236 | 10,485 |
| Extracurricular Activities | 258,632 | 0 | 441,647 | 700,279 |
| Food Services | 0 | 0 | 501,136 | 501,136 |
| Intergovernmental - State | 10,102,057 | 255,795 | 193,597 | 10,551,449 |
| Intergovernmental - Federal | 0 | 0 | 1,992,943 | 1,992,943 |
| All Other Revenue | 39,078 | 0 | 124,095 | 163,173 |
| Total Revenue | 22,065,273 | 1,789,732 | 3,842,275 | 27,697,280 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 13,713,939 | 0 | 1,142,488 | 14,856,427 |
| Supporting Services: | | | | |
| Pupils | 1,050,713 | 0 | 2,700 | 1,053,413 |
| Instructional Staff | 1,242,881 | 0 | 31,609 | 1,274,490 |
| Board of Education | 17,327 | 0 | 0 | 17,327 |
| Administration | 1,076,802 | 0 | 550,041 | 1,626,843 |
| Fiscal Services | 578,482 | 0 | 0 | 578,482 |
| Business | 122,641 | 0 | 0 | 122,641 |
| Operation and Maintenance of Plant | 2,200,547 | 0 | 0 | 2,200,547 |
| Pupil Transportation | 938,186 | 0 | 175,174 | 1,113,360 |
| Central | 335,419 | 0 | 279,010 | 614,429 |
| Community Services | 7,738 | 0 | 1,773 | 9,511 |
| Operation of Non-Instructional Services | 0 | 0 | 833,033 | 833,033 |
| Extracurricular Activities | 746,080 | 0 | 453,933 | 1,200,013 |
| Capital Outlay | 0 | 0 | 353,068 | 353,068 |
| Debt Service: | | | | |
| Principal Retirement | 60,019 | 415,000 | 0 | 475,019 |
| Interest & Fiscal Charges | 16,035 | 1,198,651 | 0 | 1,214,686 |
| Total Expenditures | 22,106,809 | 1,613,651 | 3,822,829 | 27,543,289 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (41,536) | 176,081 | 19,446 | 153,991 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the Sale of Capital Assets | 2,000 | 0 | 0 | 2,000 |
| Transfers In | 0 | 0 | 32,000 | 32,000 |
| Transfers Out | (32,000) | 0 | 0 | (32,000) |
| Total Other Financing Sources (Uses) | (30,000) | 0 | 32,000 | 2,000 |
| Net Change in Fund Balance | (71,536) | 176,081 | 51,446 | 153,991 |
| Fund Balance at Beginning of Year - Restated | 754,728 | 1,209,475 | 565,956 | 2,530,159 |
| Decrease in Inventory Reserve | 0 | 0 | (440) | (440) |
| Fund Balance End of Year | \$ 683,192 | \$ 1,385,556 | \$ 616,962 | \$ 2,685,710 |

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

***Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2011***

Net Change in Fund Balances - Total Governmental Funds \$ 155,991

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

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

| | | |
|----------------------|-----------|-----------|
| Capital Outlay | 234,481 | |
| Depreciation Expense | (871,207) | (636,726) |
| | | |

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

| | | |
|--|---------|--------|
| Increase in Delinquent Property Taxes Receivable | 52,288 | |
| Decrease in Deferred Grants Receivable | (2,102) | |
| Decrease in Inventory | (440) | 49,746 |
| | | |

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | | |
|---|----------|---------|
| General Obligation Bond Principal Payment | 415,000 | |
| Maturity of Accreted Interest on Capital Appreciation Bonds | 495,000 | |
| Interest Accretion on Capital Appreciation Bonds | (83,699) | |
| Unamortized Bond Issuance Cost | (18,952) | |
| Bond Premium Amortization | 20,140 | |
| Deferred Loss on Early Retirement of Debt | (62,893) | |
| Capital Lease Principal Payment | 60,019 | 824,615 |
| | | |

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

1,936

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.

| | | |
|--|--|---------|
| Decrease in Compensated Absences Liability | | 222,257 |
| | | |

Change in Net Assets of Governmental Activities **\$ 617,819**

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|------------------------|---------------------|-------------------|---|
| Revenues: | | | | |
| Local Sources: | | | | |
| Taxes | \$ 6,950,619 | \$ 6,971,711 | \$ 6,971,711 | \$ 0 |
| Tuition | 503,000 | 513,116 | 513,116 | 0 |
| Investment Earnings | 25,000 | 10,185 | 10,227 | 42 |
| Intergovernmental - State | 9,938,528 | 9,654,980 | 9,654,980 | 0 |
| All Other Revenues | 81,258 | 47,318 | 47,318 | 0 |
| Total Revenues | <u>17,498,405</u> | <u>17,197,310</u> | <u>17,197,352</u> | <u>42</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 10,433,426 | 10,294,588 | 10,026,058 | 268,530 |
| Support Services: | | | | |
| Pupils | 994,235 | 1,013,069 | 991,888 | 21,181 |
| Instructional Staff | 1,231,415 | 1,238,549 | 1,213,241 | 25,308 |
| Board of Education | 27,600 | 18,580 | 17,400 | 1,180 |
| Administration | 1,089,610 | 1,155,060 | 1,081,743 | 73,317 |
| Fiscal Services | 528,630 | 534,829 | 526,835 | 7,994 |
| Business | 122,817 | 124,067 | 121,010 | 3,057 |
| Operation and Maintenance of Plant | 2,258,835 | 2,294,610 | 2,242,545 | 52,065 |
| Pupil Transportation | 939,000 | 947,910 | 937,807 | 10,103 |
| Central | 319,540 | 344,425 | 331,806 | 12,619 |
| Community Services | 8,500 | 8,500 | 7,746 | 754 |
| Extracurricular Activities | 487,300 | 488,205 | 481,099 | 7,106 |
| Total Expenditures | <u>18,440,908</u> | <u>18,462,392</u> | <u>17,979,178</u> | <u>483,214</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (942,503) | (1,265,082) | (781,826) | 483,256 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the Sale of Capital Assets | 200 | 2,000 | 2,000 | 0 |
| Transfers Out | (60,000) | (49,000) | (49,000) | 0 |
| Advances In | 5,770 | 5,770 | 5,770 | 0 |
| Advances Out | (10,000) | (51,000) | (46,000) | 5,000 |
| Refund of Prior Year Expenditures | 3,500 | 23,298 | 23,298 | 0 |
| Refund of Prior Year Receipts | (50,000) | (50,000) | (38,806) | 11,194 |
| Total Other Financing Sources (Uses): | <u>(110,530)</u> | <u>(118,932)</u> | <u>(102,738)</u> | <u>16,194</u> |
| Net Change in Fund Balance | (1,053,033) | (1,384,014) | (884,564) | 499,450 |
| Fund Balance at Beginning of Year | 1,433,131 | 1,433,131 | 1,433,131 | 0 |
| Prior Year Encumbrances | 51,484 | 51,484 | 51,484 | 0 |
| Fund Balance at End of Year | <u>\$ 431,582</u> | <u>\$ 100,601</u> | <u>\$ 600,051</u> | <u>\$ 499,450</u> |

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2011

| | Student Activity Fund |
|---------------------------|--------------------------|
| Assets: | |
| Cash and Cash Equivalents | \$ 70,537 |
| Total Assets | <u>70,537</u> |
| Liabilities: | |
| Due to Students | 70,537 |
| Total Liabilities | <u>\$ 70,537</u> |

See accompanying notes to the basic financial statements

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Tipp City Exempted Village School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions, and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation, and care and upkeep of grounds and buildings.

The District is associated with organizations which are defined as an insurance purchasing pool, jointly governed organizations, and a related organization. These organizations are presented in Notes 16, 18 and 19 to the basic financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are grouped into the categories of governmental and fiduciary.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, 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 therefore not available to support the District's own programs. The District's only fiduciary fund is its agency fund. The District's agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

C. Basis of Presentation and Measurement Focus – Financial Statements

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 statements are prepared using the economic resources measurement focus. 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus – Financial Statements (Continued)

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is followed by the governmental funds.

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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at fiscal year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Property taxes measurable as of June 30, 2011, but which are not intended to finance fiscal year 2011 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 7.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange 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. 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.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than the agency fund are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the fiscal year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2011.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each fiscal year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level in all funds. The appropriation resolution may be amended during the fiscal year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the fiscal year without approval of the Board. During the fiscal year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

| Net Change in Fund Balance | General Fund |
|--|-----------------|
| GAAP Basis (as reported) | (\$71,536) |
| Increase (Decrease): | |
| Accrued Revenues at June 30, 2011, received during FY 2012 | (1,182,597) |
| Accrued Revenues at June 30, 2010, received during FY 2011 | 608,380 |
| Accrued Expenditures at June 30, 2011, paid during FY 2012 | 2,500,306 |
| Accrued Expenditures at June 30, 2010, paid during FY 2011 | (2,034,005) |
| FY 2011 Prepays for FY 2012 | (52,210) |
| FY 2010 Prepays for FY 2011 | 54,663 |
| Encumbrances Outstanding | (100,765) |
| Perspective Difference: | |
| Activity of Funds Reclassified for GAAP Reporting Purposes | (606,800) |
| Budget Basis | (\$884,564) |

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of three months or less.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

H. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined in 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30,2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| Description | Governmental Activities Estimated Lives (in years) |
|----------------------------|---|
| Land Improvements | 20 |
| Buildings and Improvements | 20 – 50 |
| Machinery and Equipment | 5 - 20 |

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

| Obligation | Fund |
|----------------------|----------------------------------|
| Compensated Absences | General Fund, Food Services Fund |
| Capital Lease | General Fund |
| G.O. Bond | Debt Service Fund |

J. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*”, vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a cumulative maximum of 210 days. Upon retirement, employees can receive a portion of the sick leave, between 27% to 39%, depending on the type of employment contract. In addition, Merit Service Retirement Award may be paid for sick leave balances in excess of the 210 days depending upon the type of employment contract. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. There were no net assets restricted by enabling legislation at June 30, 2011.

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

L. Pensions

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

M. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Restricted Assets

Restricted assets in the debt service fund represent cash and cash equivalents restricted in use for debt service payments.

O. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance (Continued)

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

The preparation of the 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 could differ from those estimates.

Q. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2011.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2011 of \$40,837 in the Food Service Fund, \$5,025 in the Jobs Education Fund, \$1,612 in the Fiscal Stabilization Fund, and \$249 in the Other Federal Grants Fund (special revenue) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal 2011 the District implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”.

Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS (Continued)

While the application of this new standard did not have an effect on total prior year fund balances, it did result in the reclassification of funds as detailed below:

| | General Fund | Emergency Levy Fund | Other Governmental Funds | Governmental Activities |
|---|------------------|------------------------|-----------------------------|----------------------------|
| Fund Balance/Net Assets at June 30, 2010 | \$113,853 | \$510,771 | \$696,060 | \$5,961,522 |
| Fund Reclassification | 640,875 | (510,771) | (130,104) | 0 |
| Net Assets, as restated | <u>\$754,728</u> | <u>\$0</u> | <u>\$565,956</u> | <u>\$5,961,522</u> |

NOTE 4 – FUND BALANCES

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

| Fund Balances | General Fund | Debt Service | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|------------------|--------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Prepaid Items | \$57,237 | \$0 | \$8,463 | \$65,700 |
| Supplies Inventory | 0 | 0 | 16,940 | 16,940 |
| Total Nonspendable | <u>57,237</u> | <u>0</u> | <u>25,403</u> | <u>82,640</u> |
| Restricted: | | | | |
| Staff Development and Support | 0 | 0 | 33,679 | 33,679 |
| Extracurricular Activities | 0 | 0 | 109,588 | 109,588 |
| English Proficiency Instruction | 0 | 0 | 1,012 | 1,012 |
| Special Education | 0 | 0 | 14,851 | 14,851 |
| Targeted Academic Assistance | 0 | 0 | 2,644 | 2,644 |
| Debt Service Payments | 0 | 1,385,556 | 0 | 1,385,556 |
| Capital Acquisition and Improvement | 0 | 0 | 494,768 | 494,768 |
| Total Restricted | <u>0</u> | <u>1,385,556</u> | <u>656,542</u> | <u>2,042,098</u> |
| Committed: | | | | |
| Pollution Remediation | 11,000 | 0 | 0 | 11,000 |
| Total Committed | <u>11,000</u> | <u>0</u> | <u>0</u> | <u>11,000</u> |
| Assigned to Other Purposes | 123,072 | 0 | 0 | 123,072 |
| Unassigned | 491,883 | 0 | (64,983) | 426,900 |
| Total Fund Balances | <u>\$683,192</u> | <u>\$1,385,556</u> | <u>\$616,962</u> | <u>\$2,685,710</u> |

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$3,370,374 and the bank balance was \$3,416,358. Federal depository insurance covered \$628,208 of the bank balance. The remaining balance of \$2,788,150 was collateralized with securities held by the pledging institution but not in the name of the District and therefore was subject to custodial credit risk.

B. Restricted Cash and Cash with Fiscal Agents

In addition to deposits, the District had cash with fiscal agent in the amount of \$7,422. The entire amount was insured by the FDIC.

C. Cash on Hand

At fiscal year end, the District had \$1,830 in undeposited cash on hand, which is included as part of "Cash and Cash Equivalents."

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 6 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2011, the reserve activity (cash-basis) was as follows:

| | Textbook Reserve | Capital Acquisition Reserve | Total |
|--|---------------------|-----------------------------------|--------------------|
| Set-aside Cash Balance as of June 30, 2010 | (\$407,700) | \$0 | (\$407,700) |
| Current Year Set-Aside Requirement | 401,040 | 401,040 | 802,080 |
| Qualifying Disbursements | (471,065) | 0 | (471,065) |
| Current Year Off-Set | 0 | (545,902) | (545,902) |
| Total | <u>(\$477,725)</u> | <u>(\$144,862)</u> | <u>(\$622,587)</u> |
| Carried Forward to FY 2012 | <u>(\$477,725)</u> | <u>\$0</u> | <u>(\$477,725)</u> |

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount for capital acquisition may not be used to reduce the set-aside requirements of future years. Negative amounts for capital acquisition are therefore not presented as being carried forward to the next fiscal year.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and telephone and telecommunications property used in business and located in the District. Real property taxes (other than public utility) collected during 2011 were levied after April 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last equalization adjustment was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20.

Tangible personal property tax revenues received during calendar year 2011 (other than public utility property) represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on values as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold districts harmless by replacing a portion of the revenue lost by the District due to the phasing out of the tax. In fiscal years 2006-2009, the District was fully reimbursed for the lost revenue. In fiscal years after 2010, the District will not be reimbursed for the lost revenue.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 7 - PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Tipp City Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2011 receipts were based are:

| | 2010 Second Half Collections | 2011 First Half Collections |
|--|---------------------------------|--------------------------------|
| Agricultural/Residential and Other Real Estate | \$379,490,750 | \$376,528,220 |
| Public Utility Personal | 7,335,210 | 7,641,010 |
| Tangible Personal Property | 367,530 | 168,740 |
| Total Assessed Value | \$387,193,490 | \$384,337,970 |
| Tax rate per \$1,000 of assessed valuation | \$49.25 | \$49.19 |

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts, interest, and intergovernmental receivables.

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2011:

| Fund | Interfund Loan Receivables | Interfund Loan Payables |
|--------------------------|----------------------------------|-------------------------------|
| General Fund | \$46,200 | \$200 |
| Other Governmental Funds | 0 | 46,000 |
| Total All Funds | \$46,200 | \$46,200 |

These Interfund Loans are short-term loans to cover a temporary cash deficit.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 10 - TRANSFERS

Following is a summary of transfers in and out for all funds for the fiscal year 2011:

| Fund | Transfer In | Transfer Out |
|--------------------------|-----------------|-----------------|
| General Fund | \$0 | \$32,000 |
| Other Governmental Funds | 32,000 | 0 |
| Total All Funds | <u>\$32,000</u> | <u>\$32,000</u> |

Transfers in fiscal 2011 were to cover a temporary cash deficit.

NOTE 11 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2011:

Historical Cost:

| Class | June 30, 2010 | Additions | Deletions | June 30, 2011 |
|--|---------------------|------------------|-------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$1,928,313 | \$0 | \$0 | \$1,928,313 |
| Capital assets being depreciated: | | | | |
| Land Improvements | 3,906,022 | 0 | 0 | 3,906,022 |
| Buildings and Improvements | 26,392,536 | 0 | 0 | 26,392,536 |
| Machinery and Equipment | 4,411,387 | 234,481 | (45,120) | 4,600,748 |
| Total Cost | <u>\$36,638,258</u> | <u>\$234,481</u> | <u>(\$45,120)</u> | <u>\$36,827,619</u> |

Accumulated Depreciation:

| Class | June 30, 2010 | Additions | Deletions | June 30, 2011 |
|----------------------------|-----------------------|----------------------|-----------------|-----------------------|
| Land Improvements | (\$1,547,911) | (\$167,905) | \$0 | (\$1,715,816) |
| Buildings and Improvements | (7,857,465) | (501,189) | 0 | (8,358,654) |
| Machinery and Equipment | (3,306,824) | (202,113) | 45,120 | (3,463,817) |
| Total Depreciation | <u>(\$12,712,200)</u> | <u>(\$871,207) *</u> | <u>\$45,120</u> | <u>(\$13,538,287)</u> |
| Net Value: | <u>\$23,926,058</u> | | | <u>\$23,289,332</u> |

* Depreciation expenses were charged to governmental functions as follows:

| | |
|---|------------------|
| Instruction | \$704,622 |
| Support Services: | |
| Pupils | 1,715 |
| Instructional Staff | 770 |
| Administration | 56,934 |
| Operations & Maintenance of Plant | 9,181 |
| Pupil Transportation | 58,278 |
| Central | 2,577 |
| Operation of Non-Instructional Services | 26,382 |
| Extracurricular Activities | 10,748 |
| Total Depreciation Expense | <u>\$871,207</u> |

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 12- DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$410,198, \$409,778 and \$286,171 respectively, which were equal to the required contributions for each year.

B. State Teachers Retirement System

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.

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.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 12- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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 the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,496,954, \$1,497,165, and \$1,426,497 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2011 were \$59,547 made by the District and \$42,534 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$90,918, \$56,205, and \$185,975 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$26,397, \$24,369, and \$23,612 respectively; which were equal to the required contributions for each year.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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 or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$115,150, \$115,167, and \$109,731 respectively; which were equal to the required contributions for each year.

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 14 - LONG-TERM OBLIGATIONS

Detail of the changes in the general obligation bonds, capital leases, and compensated absences of the District for the year ended June 30, 2011 is as follows:

| | | Balance June 30, 2010 | Additions | Deductions | Balance June 30, 2011 | Amount Due Within One Year |
|-----------------------------------|------------|--------------------------|-----------|---------------|--------------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| General Obligation Bond: | | | | | | |
| School Improvement | 5.08% | \$195,000 | \$0 | (\$195,000) | \$0 | \$0 |
| Multi-Purpose Bonds | 3.00-5.00% | 16,744,985 | 0 | (220,000) | 16,524,985 | 1,000,000 |
| Bond Premium | | 201,401 | 0 | (20,140) | 181,261 | 0 |
| Deferred Loss on Early Retirement | | (628,932) | 0 | 62,893 | (566,039) | 0 |
| | | 16,512,454 | 0 | (372,247) | 16,140,207 | 1,000,000 |
| Interest Accretion | | 1,676,938 | 83,699 | (495,000) | 1,265,637 | 0 |
| Total General Obligation Bonds | | 18,189,392 | 83,699 | (867,247) | 17,405,844 | 1,000,000 |
| Capital Lease Payable | | 366,281 | 0 | (60,019) | 306,262 | 62,789 |
| Compensated Absences Payable | | 2,234,104 | 255,006 | (477,263) | 2,011,847 | 120,955 |
| Total Long-Term Obligations | | \$20,789,777 | \$338,705 | (\$1,404,529) | \$19,723,953 | \$1,183,744 |

In 2001 the District issued \$22 million in bonds for the purpose of constructing a new high school. In 2006, an additional \$2 million of bonds for school construction were issued and \$15.6 million of refunding bonds were issued.

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2011 follows:

| Years | General Obligation Bond | |
|-----------|-------------------------|-------------|
| | Principal | Interest |
| 2012 | \$1,000,000 | \$651,448 |
| 2013 | 1,050,000 | 608,898 |
| 2014 | 1,095,000 | 559,723 |
| 2015 | 1,145,000 | 504,178 |
| 2016 | 434,991 | 1,237,622 |
| 2017-2021 | 5,479,994 | 2,804,594 |
| 2022-2025 | 6,320,000 | 542,137 |
| Totals | \$16,524,985 | \$6,908,600 |

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

B. Defeased Debt

In fiscal 2006, the District defeased \$15,640,000 of General Obligation Bonds for School Building Improvements, dated November 7, 2000, through the issuance of \$15,634,985 of General Obligation Bonds. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$15,640,000 at June 30, 2011, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

NOTE 15 - CAPITALIZED LEASE

The District is obligated under one lease accounted for as a capital lease. The cost of the leased asset is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Obligations. The asset under capital lease had an original cost of \$536,000 and accumulated depreciation of \$98,268.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2011:

| <u>Year Ending June 30,</u> | <u>Capital Lease</u> |
|--|----------------------|
| 2012 | \$76,054 |
| 2013 | 76,054 |
| 2014 | 76,054 |
| 2015 | 76,054 |
| 2016 | 38,027 |
| Minimum Lease Payments | 342,243 |
| Less: Amount representing interest at the District's incremental borrowing rate of interest | (35,981) |
| Present Value of minimum lease payments | <u>\$306,262</u> |

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2011 the District contracted for insurance coverages as follows:

| <u>Insurance Provider</u> | <u>Coverage</u> | <u>Deductible</u> |
|---------------------------------|----------------------|-------------------|
| Ohio Casualty Insurance Company | Fleet Insurance | \$500 |
| Ohio Casualty Insurance Company | Buildings & Contents | \$2500 |

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District participates in the Southwestern Ohio Educational Purchasing Cooperative Group Rating Program (the GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson and Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2011.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members of those counties i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2011, the District paid \$690 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Council (SOEPC) - SOEPC is a purchasing council made up of nearly one hundred school districts in twelve counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2011, the District paid \$3,672 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2011, the District paid no monies to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Metropolitan Dayton Educational Computer Association (MDECA) – MDECA, a computer consortium, is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$16,783 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

NOTE 19 - RELATED ORGANIZATION

Tipp City Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tipp City Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. During fiscal year 2011, the District paid no monies to this organization. Financial information can be obtained from the Tipp City Public Library, Clerk/Treasurer, 11 East Main Street, Tipp City, Ohio 45371.

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**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|------------------------------------|--------------------|------------------------------|---------------------|----------------------------------|
| U.S. Department of Agriculture | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | |
| Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | \$3,531 | | \$3,531 | |
| National School Lunch Program (Cash Assistance) | 10.555 | 170,238 | | 170,238 | |
| National School Lunch Program (Noncash Assistance) | | | \$53,293 | | \$53,293 |
| Total Nutrition Cluster: | | <u>173,769</u> | <u>53,293</u> | <u>173,769</u> | <u>53,293</u> |
| Total U.S. Department of Agriculture | | <u>173,769</u> | <u>53,293</u> | <u>173,769</u> | <u>53,293</u> |
| U.S. Department of Education | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | |
| Title I, Part A Cluster: | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 174,290 | | 180,915 | |
| ARRA Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 47,135 | | 77,072 | |
| Total Title I, Part A Cluster | | <u>221,425</u> | | <u>257,987</u> | |
| Special Education Cluster: | | | | | |
| Special Education_ Grants to States | 84.027 | 398,225 | | 402,349 | |
| ARRA - Special Education - Grants to States, Recovery Act | 84.391 | 251,523 | | 273,367 | |
| Total Special Education Cluster | | <u>649,748</u> | | <u>675,716</u> | |
| Educational Technology State Grants | 84.318 | 578 | | 578 | |
| English Language Acquisition Grants | 84.365 | 14,184 | | 18,066 | |
| Improving Teacher Quality State Grants | 84.367 | 75,006 | | 74,358 | |
| ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 570,514 | | 570,514 | |
| ARRA-State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act | 84.395 | 16,333 | | 16,284 | |
| Education Jobs Fund | 84.410 | 141,680 | | 141,619 | |
| Total U.S. Department of Education | | <u>1,689,468</u> | | <u>1,755,122</u> | |
| Total Federal Financial Assistance | | <u>\$1,863,237</u> | <u>\$53,293</u> | <u>\$1,928,891</u> | <u>\$53,293</u> |

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

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Tipp City Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tipp City Exempted Village School District, Miami County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2012, wherein we noted that the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 15, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

February 15, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

Compliance

We have audited the compliance of Tipp City Exempted Village School District, Miami County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Tipp City Exempted Village School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The 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 District's compliance based on our audit.

Our compliance audit followed 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*. These 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 District's compliance with these 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 District's compliance with these requirements.

In our opinion, Tipp City Exempted Village School District, Miami County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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www.ohioauditor.gov

**Internal Control Over Compliance
(Continued)**

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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 15, 2012.

We intend this report solely for the information and use of the management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 15, 2012

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Special Education 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 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

February 15, 2012

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Dave Yost • Auditor of State

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI 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 20, 2012**