



OHIO AUDITOR OF STATE
KEITH FABER



**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY
JUNE 30, 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	23
Statement of Fiduciary Net Position – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	25
Notes to the Basic Financial Statements.....	26
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio.....	78
State Teachers Retirement System (STRS) of Ohio	79
Schedule of District – Contributions – Pension:	
School Employees Retirement System (SERS) of Ohio.....	80
State Teachers Retirement System (STRS) of Ohio	81

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY
JUNE 30, 2019**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of the District's Proportionate Share of the Net OPEB Liability:	
School Employees Retirement System (SERS) of Ohio.....	82
State Teachers Retirement System (STRS) of Ohio	83
Schedule of District – Contributions – OPEB:	
School Employees Retirement System (SERS) of Ohio.....	84
State Teachers Retirement System (STRS) of Ohio	85
Notes to Schedules of Required Supplementary Information	86
Schedule of Expenditures of Federal Awards	88
Notes to the Schedule of Expenditures of Federal Awards.....	89
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	91
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	93
Schedule of Findings.....	97
Prepared by Management:	
Corrective Action Plan	103



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 17, 2020

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**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

The management's discussion and analysis of Tiffin City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased \$3,585,661 from fiscal year 2018.
- General revenues accounted for \$28,939,464 in revenue or 84.39 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,354,794 or 15.61 percent of total revenues of 34,294,258.
- The District had \$30,708,597 in expenses related to governmental activities; only \$5,354,794 of these expenses was offset by program specific charges for services, and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$28,939,464 were adequate to provide for these programs.
- The District's only major governmental fund is the General Fund. The General Fund had \$29,221,517 in revenues and \$28,376,442 in expenditures and other financing uses. During fiscal year 2019, the General Fund's fund balance increased \$845,075 from a balance of \$15,118,414 to \$15,963,489.

Using the Financial Report

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

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

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

Governmental Activities

The table below provides a summary of the District's net position for governmental activities for fiscal year 2019 and 2018.

	Net Position	
	Governmental Activities	
	2019	2018
ASSETS		
Current and other assets	\$ 37,736,823	\$ 34,822,826
Capital assets, net	17,311,953	17,395,080
Total Assets	55,048,776	52,217,906
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	99,669	122,235
Pension	8,289,079	9,064,642
OPEB	701,780	459,472
Total Deferred Outflows of Resources	9,090,528	9,646,349
LIABILITIES		
Current and other liabilities	3,379,456	2,711,551
Long-term liabilities:		
Due within one year	811,229	793,180
Due in more than one year:		
Net Pension Liability	27,514,166	28,089,559
Net OPEB Liability	3,176,040	6,518,415
Other Amounts	4,751,811	5,488,509
Total Liabilities	39,632,702	43,601,214
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	12,948,954	12,802,224
Payment in Lieu of Taxes	47,498	47,213
Pension	1,829,433	1,230,242
OPEB	2,699,473	787,779
Total Deferred Inflows of Resources	17,525,358	14,867,458
NET POSITION		
Net Investment in Capital Assets	12,870,121	12,237,852
Restricted	3,551,661	3,723,397
Unrestricted	(9,440,538)	(12,565,666)
Total Net Position	\$ 6,981,244	\$ 3,395,583

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

The net pension liability (NPL) and the net OPEB liability (NOL) are the largest single liabilities reported by the District at June 30, 2019 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27", and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 UNAUDITED
 (Continued)**

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$6,981,244. The changes in deferred outflows and inflows of resources, net pension liability, net OPEB liability and current and other assets (net OPEB asset) are due to the recording of GASB 68 and 75 as previously discussed. Current and other assets also increased due to an increase in equity in pooled cash and cash equivalents.

At year-end, capital assets represented 31.45 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2019, was \$12,870,121. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the District's net position, \$3,551,661 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$9,440,538.

The recording of GASB Statement No. 68 and 75 requires the readers to perform additional calculations to determine the District's total Net Position at June 30, 2019 without the recording of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (SERS & STRS) collect, hold, invest, and distribute pensions to our employee, not the District. These calculations are as follows:

Total Net Position including GASB 68 and GASB 75	\$	6,981,244
Add:		
Net Pension liability		27,514,166
Net OPEB Liability		3,176,040
Deferred Inflows - Pension		1,829,433
Deferred Inflows - OPEB		2,699,473
Less:		
Net OPEB Asset		(1,536,367)
Deferred Outflows - Pension		(8,289,079)
Deferred Outflows - OPEB		(701,780)
Total Net Position without GASB 68 and GASB 75		\$ 31,673,130

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

The table below shows the changes in net position for governmental activities for fiscal years 2019 and 2018.

	Changes in Net Position	
	Governmental Activities	
	2019	2018
REVENUES		
Program Revenues:		
Charges for services	\$ 2,407,962	\$ 2,310,575
Operating grants and contributions	2,946,832	2,885,077
Total Program Revenues	<u>5,354,794</u>	<u>5,195,652</u>
General Revenues:		
Property taxes	13,214,259	12,114,899
Payments in lieu of taxes	47,780	47,213
Grants and entitlements		
not restricted to specific programs	14,840,624	15,007,513
Contributions and Donations		
not restricted to specific programs	500	500
Gain on Sale of Capital assets	-	760
Investment income	508,373	275,556
Miscellaneous	327,928	255,025
Total General Revenues	<u>28,939,464</u>	<u>27,701,466</u>
Total Revenues	<u>34,294,258</u>	<u>32,897,118</u>
EXPENSES		
Program Expenses:		
Instruction:		
Regular	11,537,269	5,830,946
Special	5,335,341	3,182,595
Vocational	226,252	199,489
Other	850,750	694,454
Supporting Services:		
Pupils	1,782,559	1,154,859
Instructional Staff	1,367,513	890,668
Board of Education	23,621	22,154
Administration	2,177,729	1,294,905
Fiscal Services	750,969	659,360
Business	106,275	130,070
Operation and Maintenance of Plant	2,672,144	2,982,293
Pupil Transportation	1,314,752	1,128,383
Central	219,620	117,178
Operation of Non-Instructional Services	1,427,469	913,983
Extracurricular Activities	769,655	501,283
Interest and Fiscal Charges	146,679	190,463
Total Expenses	<u>30,708,597</u>	<u>19,893,083</u>
Change in Net Position	3,585,661	13,004,035
Net Position - Beginning of Year	3,395,583	(9,608,452)
Net Position - End of Year	<u>\$ 6,981,244</u>	<u>\$ 3,395,583</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Net position of the District's governmental activities increased \$3,585,661. Total governmental expenses of \$30,708,597 were offset by program revenues of \$5,354,794 and general revenues of \$28,939,464.

Program revenues supported 17.44 percent of the total governmental activities expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State of Ohio. These revenue sources represent 81.81 percent of total governmental revenue. Real estate property is reappraised every six years.

Total revenues increased by \$1,397,140 or 4.25 percent in fiscal year 2019 mainly due to the increase in property taxes.

Total expenses increased by \$10,815,514 mainly due to the recording of GASB 68 and 75. The effects of GASB 68 and 75 distort the comparative analysis of expenses due to the significant changes made by the pension systems in recording the aforementioned GASBs. As a result of the significant adjustments to program expenses for GASB 68 and GASB 75, the following adjustments are needed:

Total 2019 program expenses under GASB 68 and 75	\$ 30,708,597
NPL expense under GASB 68	(2,986,894)
2019 contractually required contribution - Pension	2,187,533
Negative OPEB expense under GASB 75	3,117,700
2019 contractually required contribution - OPEB	91,656
Adjusted 2019 program expenses	33,118,592
Total 2018 program expenses under GASB 68	19,893,083
Negative NPL expense under GASB 68	8,273,290
2018 contractually required contribution - Pension	2,084,259
Negative OPEB expense under GASB 75	844,617
2018 contractually required contribution - OPEB	79,042
Adjusted 2018 program expenses	31,174,291
Increase in program expenses	\$ 1,944,301

See Notes 12 and 13 for more information regarding net pension liability and net OPEB liability and the related pension expense.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

	Total and Net Cost of Program Services			
	Governmental Activities			
	Total Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2019	Net Cost of Services 2018
	2019	2018	2019	2018
Instruction	\$ 17,949,612	\$ 9,907,484	\$ 15,068,473	\$ 7,015,333
Supporting Services:				
Pupils and Instructional Staff	3,150,072	2,045,527	2,509,209	1,428,076
Board of Education, Administration, Fiscal, and Business Services	3,058,594	2,106,489	3,050,749	2,106,489
Operation and Maintenance of Plant	2,672,144	2,982,293	2,614,524	2,967,619
Pupil Transportation	1,314,752	1,128,383	1,247,686	1,063,638
Central	219,620	117,178	219,620	117,178
Operation of Non-Instructional Services	1,427,469	913,983	199,849	(252,782)
Extracurricular Activities	769,655	501,283	297,014	61,417
Interest and Fiscal Charges	146,679	190,463	146,679	190,463
Total Cost of Services	\$ 30,708,597	\$ 19,893,083	\$ 25,353,803	\$ 14,697,431

The dependence upon tax revenues during fiscal year 2019 for governmental activities is apparent, as 83.95 percent of 2019 instruction activities are supported through taxes and other general revenues. The large increase in instruction activities is due to GASB 68 and 75 as previously discussed.

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$19,143,914, which is \$658,868 more than last year's total of \$18,485,046. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Governmental Fund Balances			
	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Increase (Decrease)	Percentage Change
General	\$ 15,963,489	\$ 15,118,414	\$ 845,075	5.59%
Other Governmental	3,180,425	3,366,632	(186,207)	-5.53%
Total	\$ 19,143,914	\$ 18,485,046	\$ 658,868	3.56%

General Fund

The District's General Fund balance increased \$845,075 during 2019.

The table on the following page assists in illustrating the revenues and expenditures of the General Fund.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

General Fund			
	2019	2018	Change
REVENUES			
Property Taxes	\$ 11,631,061	\$ 10,730,030	8.40%
Intergovernmental	15,070,855	15,361,801	-1.89%
Interest	432,537	236,323	83.03%
Tuition	1,268,882	1,232,795	2.93%
Extracurricular Activities	78,478	92,123	-14.81%
Rentals	32,948	14,674	124.53%
Contributions and Donations	500	500	0.00%
Transportation Fees	67,066	64,745	3.58%
Classroom Materials and Fees	89,164	99,685	-10.55%
Payments in Lieu of Taxes	47,780	47,213	1.20%
Contract Services	207,212	198,097	4.60%
Miscellaneous	295,034	155,131	90.18%
Total Revenues	\$ 29,221,517	\$ 28,233,117	3.50%
EXPENDITURES			
Instruction	\$ 18,237,912	\$ 17,391,910	4.86%
Supporting Services	9,497,652	8,994,060	5.60%
Operation of Non-Instructional Services	60,106	-	100.00%
Extracurricular Activities	429,492	394,788	8.79%
Debt Service	89,820	141,045	-36.32%
Total Expenditures	\$ 28,314,982	\$ 26,921,803	5.17%

The increase in property taxes and interest is due to higher commercial and public utility valuations and rising interest rates. Other increases include rented classroom spaces, contracted intervention special services, additional Medicaid reimbursements, and a district-initiated valuation settlement. These increases were offset somewhat by a slight decrease in intergovernmental revenue due to state funding formulas that did not allow for growth, a decline in students participating in fee-based extracurricular activities, and a reduction in the assessment of consumable classroom materials.

Instruction, supporting services and extracurricular activity expenditures increased due to negotiated salaries and benefits, special needs intervention, and curriculum and technology replacements and improvements. Operation of non-instructional services includes a one-time reimbursable expenditures for contracted intervention specialist services. Debt service expenditures decreased due to paying the energy conservation bond from the Bond Retirement fund instead of the General fund.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2019, the District's General Fund budget increases from Original to Final, due to the Original budget being based on the temporary amounts which were enough to cover the entire year. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

For the General Fund, original and final budgeted revenues and other financing sources was \$30,674,945. Final budgeted revenues and other financing sources were \$1,231,673 more than actual revenues and other financing sources of \$29,443,272.

General Fund original appropriations and other financing uses were \$29,070,743. General Fund final appropriations and other financing uses were \$31,140,628. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$28,843,137, which was \$2,297,491 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2019, the District had \$17,311,953 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

The following table shows the capital asset fiscal 2019 balances compared to 2018:

	Capital Assets	
	Governmental Activities	
	2019	2018
Land	\$ 2,031,437	\$ 2,031,437
Construction in Progress	457,092	-
Land Improvements	314,768	264,755
Buildings and Improvements	12,021,447	12,224,316
Furniture and Equipment	1,450,796	1,930,876
Vehicles	1,036,413	943,696
Total Capital Assets	\$ 17,311,953	\$ 17,395,080

The decrease in capital assets, net of accumulated depreciation, was primarily caused by the District changing the capitalization threshold. See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2019, the District had \$465,000 in energy conservation bonds, \$3,300,000 in refunding bonds, and \$665,000 in certificate of participation outstanding. Of the total outstanding debt, \$730,000 is due within one year and \$3,700,000 is due in greater than one year. The following table summarizes the bonds, certificates of participation, and lease obligations outstanding.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Outstanding Debt at Year End		
	Governmental Activities	
	2019	2018
School Improvement Refunding Bonds	\$ 3,300,000	\$ 3,912,716
Energy Conservation Bonds	465,000	505,000
Certificates of Participation	665,000	725,000
Total Outstanding Debt	\$ 4,430,000	\$ 5,142,716

See Note 9 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

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

The District's most recent forecast includes actual fiscal years 2017 through 2019. All actual years reflect balanced annual budgets with revenues exceeding expenditures, the continuing result of several past measures implemented by the District. Such measures included staffing reductions, closing two elementary school buildings, negotiating annual pay freezes or conservative increases, passing a new continuous operating levy, increasing a permanent improvement levy for a continuous period of time, renewing an emergency operating levy for an extended period of time, and implementing in-house services for special needs students. In addition to these items, state funding increases that provided additional revenues in each fiscal year from 2014 through 2017 remain relatively in place with supplemental funds for student wellness and success programs to be provided in 2020 and 2021.

In order to attract and retain qualified personnel, fiscal years 2018 through 2020 include increases to all salary and wage schedules. Such years also include personnel, curriculum, technology, safety, security and student well-being increases to meet the changing needs of all students. All forecasted fiscal years also include the continuation of much-needed tax revenue from the District's emergency operating levy, which was renewed early by the voters in May of 2018 for an extended period of ten years through 2029. While conservative revenue estimates and expected inflation result in annual operating expenditures exceeding revenues, a positive cash balance is still projected through the end of forecasted fiscal year 2024.

In regards to the District's facilities, two capital improvement projects were undertaken in fiscal year 2014, including a district-wide House Bill 264 energy improvements project and a windows replacement project at the high school. The energy project issued \$645,000 of un-voted, bonded debt from 2014 to 2028. Annual payments average \$56,357; however, annual savings total about \$70,000. The windows project financed \$955,000 with a lease purchase agreement from 2014 to 2028. Annual payments average \$86,143.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

For future improvements, the District's five-year forecast includes the reservation of \$500,000 annually beginning in 2017 and the accumulation of \$2,750,000 by the end of 2024 after \$250,000 was utilized in fiscal year 2019 for security & technology needs and \$1,000,000 was utilized to purchase land in fiscal year 2020 for a potential elementary construction project in cooperation with the Ohio Facilities Construction Commission.

The district plans to issue bonds as part of the commission's Expedited Local Partnership Program if approved by the voters in March 2020. Bonded debt service approved by the voters in 2000 for construction of the new middle school will mature in 2023.

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

Contacting the District's Financial Management

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

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 21,612,665
Taxes Receivable	13,705,402
Accounts Receivable	12,339
Intergovernmental Receivable	652,165
Inventory Held for Resale	14,937
Materials and Supplies Inventory	18,802
Prepaid Items	184,146
Net OPEB Asset	1,536,367
Nondepreciable Capital Assets	2,488,529
Depreciable Capital Assets, Net	14,823,424
Total Assets	55,048,776
DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	99,669
Pension	8,289,079
OPEB	701,780
Total Deferred Outflows of Resources	9,090,528
LIABILITIES	
Accounts Payable	475,082
Accrued Wages and Benefits	2,382,697
Intergovernmental Payable	429,880
Accrued Interest Payable	10,911
Matured Compensated Absences Payable	80,886
Long-term Liabilities:	
Due within one year	811,229
Due in more than one year:	
Net Pension Liability	27,514,166
Net OPEB Liability	3,176,040
Other Amounts	4,751,811
Total Liabilities	39,632,702
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	12,948,954
Payments in Lieu of Taxes	47,498
Pension	1,829,433
OPEB	2,699,473
Total Deferred Inflows of Resources	17,525,358
NET POSITION	
Net Investment in Capital Assets	12,870,121
Restricted:	
Capital Projects	493,163
Debt Service	1,410,323
Classroom Facilities Maintenance	1,035,300
Locally Funded Programs	50,919
State Funded Programs	1,657
Federally Funded Programs	5,977
Student Activities	147,767
Food Service	391,516
Other Purpose	15,039
Unrestricted	(9,440,538)
Total Net Position	\$ 6,981,244

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 11,537,269	\$ 1,326,901	\$ 172,912	\$ (10,037,456)
Special	5,335,341	238,357	1,089,480	(4,007,504)
Vocational	226,252	-	53,489	(172,763)
Other	850,750	-	-	(850,750)
Supporting Services:				
Pupils	1,782,559	95,000	496,747	(1,190,812)
Instructional Staff	1,367,513	-	49,116	(1,318,397)
Board of Education	23,621	-	-	(23,621)
Administration	2,177,729	-	7,845	(2,169,884)
Fiscal Services	750,969	-	-	(750,969)
Business	106,275	-	-	(106,275)
Operation and Maintenance of Plant	2,672,144	32,948	24,672	(2,614,524)
Pupil Transportation	1,314,752	67,066	-	(1,247,686)
Central	219,620	-	-	(219,620)
Operation of Non-Instructional Services	1,427,469	213,706	1,013,914	(199,849)
Extracurricular Activities	769,655	433,984	38,657	(297,014)
Interest and Fiscal Charges	146,679	-	-	(146,679)
Total Governmental activities	\$ 30,708,597	\$ 2,407,962	\$ 2,946,832	\$ (25,353,803)

General Revenues:

Property Taxes levied for:	
General Purposes	11,620,805
Debt Service	646,442
Capital Outlay	806,459
Other Purposes	140,553
Payments in Lieu of Taxes	47,780
Grants & Entitlements not restricted to specific programs	14,840,624
Contributions and Donations not restricted to specific programs	500
Investment Income	508,373
Miscellaneous	327,928
Total General Revenues	28,939,464
Change in Net Position	3,585,661
Net Position - Beginning of Year	3,395,583
Net Position - End of Year	\$ 6,981,244

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 17,959,277	\$ 3,653,388	\$ 21,612,665
Inventory Held for Resale	-	14,937	14,937
Materials and Supplies Inventory	-	18,802	18,802
Accounts Receivable	7,899	4,440	12,339
Interfund Receivable	121,930	-	121,930
Intergovernmental Receivable	92,040	560,125	652,165
Prepaid Items	184,146	-	184,146
Taxes Receivable	12,125,697	1,579,705	13,705,402
Total Assets	\$ 30,490,989	\$ 5,831,397	\$ 36,322,386
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 164,763	\$ 310,319	\$ 475,082
Accrued Wages and Benefits	2,177,930	204,767	2,382,697
Intergovernmental Payable	388,429	41,451	429,880
Matured Compensated Absences Payable	69,683	11,203	80,886
Interfund Payable	-	121,930	121,930
Total Liabilities	2,800,805	689,670	3,490,475
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	11,450,407	1,498,547	12,948,954
Payments in Lieu of Taxes	47,498	-	47,498
Unavailable Revenue-Delinquent Property Taxes	228,790	29,577	258,367
Unavailable Revenue - Grants	-	267,462	267,462
Unavailable Revenue-Other	-	165,716	165,716
Total Deferred Inflows of Resources	11,726,695	1,961,302	13,687,997
FUND BALANCES			
Nonspendable	184,146	18,802	202,948
Restricted	-	3,397,270	3,397,270
Assigned	702,709	-	702,709
Unassigned (Deficits)	15,076,634	(235,647)	14,840,987
Total Fund Balances	15,963,489	3,180,425	19,143,914
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 30,490,989	\$ 5,831,397	\$ 36,322,386

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019**

Total Governmental Fund Balances \$ 19,143,914

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

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 17,311,953

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

Delinquent Property Taxes	\$	258,367	
Intergovernmental		267,462	
Other Revenues		165,716	
Total			691,545

Bond premium on the refunding of the bonds in governmental activities is deferred and to be amortized over the remaining life of the refunded bonds. (111,501)

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported. (10,911)

In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued. 99,669

The net pension liability and net OPEB liability is not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore, the asset, liability and related deferred outflows/inflows are not reported in governmental funds:

Deferred Outflows - Pension		8,289,079	
Deferred Inflows - Pension		(1,829,433)	
Net Pension Liability		(27,514,166)	
Net OPEB Asset		1,536,367	
Deferred Outflows - OPEB		701,780	
Deferred Inflows - OPEB		(2,699,473)	
Net OPEB Liability		(3,176,040)	
Total			(24,691,886)

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

Refunding Bonds		(3,300,000)	
Energy Conservation Bond		(465,000)	
Certificates of Participation		(665,000)	
Compensated Absences		(1,021,539)	
Total			(5,451,539)

Net Position of Governmental Activities \$ 6,981,244

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 11,631,061	\$ 1,598,291	\$ 13,229,352
Intergovernmental	15,070,855	2,685,699	17,756,554
Interest	432,537	75,836	508,373
Tuition	1,268,882	-	1,268,882
Extracurricular Activities	78,478	354,756	433,234
Rentals	32,948	750	33,698
Charges for Services	-	213,706	213,706
Contributions and Donations	500	76,739	77,239
Transportation Fees	67,066	-	67,066
Classroom Materials and Fees	89,164	-	89,164
Payments in Lieu of Taxes	47,780	-	47,780
Contract Services	207,212	95,000	302,212
Miscellaneous	295,034	69,227	364,261
Total Revenues	<u>29,221,517</u>	<u>5,170,004</u>	<u>34,391,521</u>
EXPENDITURES			
Current:			
Instruction:			
Regular	12,195,638	223,221	12,418,859
Special	4,850,361	1,007,105	5,857,466
Vocational	264,091	-	264,091
Other	927,822	-	927,822
Supporting Services:			
Pupils	1,600,738	380,870	1,981,608
Instructional Staff	1,237,613	126,797	1,364,410
Board of Education	23,522	99	23,621
Administration	2,364,775	10,889	2,375,664
Fiscal Services	696,620	34,172	730,792
Business	105,115	1,160	106,275
Operation and Maintenance of Plant	2,165,816	168,896	2,334,712
Pupil Transportation	1,083,833	183,677	1,267,510
Central	219,620	-	219,620
Operation of Non-Instructional Services:			
Food Service Operations	-	819,299	819,299
Other Non-Instructional Services	60,106	543,911	604,017
Extracurricular Activities	429,492	404,227	833,719
Capital Outlay	-	739,988	739,988
Debt Service:			
Principal Retirement	60,000	530,000	590,000
Interest and Fiscal Charges	29,820	243,360	273,180
Total Expenditures	<u>28,314,982</u>	<u>5,417,671</u>	<u>33,732,653</u>
Excess of Revenues Over (Under) Expenditures	<u>906,535</u>	<u>(247,667)</u>	<u>658,868</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	61,460	61,460
Transfers Out	(61,460)	-	(61,460)
Total Other Financing Sources (Uses)	<u>(61,460)</u>	<u>61,460</u>	<u>-</u>
Net Change in Fund Balances	845,075	(186,207)	658,868
Fund Balances - Beginning of Year	15,118,414	3,366,632	18,485,046
Fund Balances - End of Year	<u>\$ 15,963,489</u>	<u>\$ 3,180,425</u>	<u>\$ 19,143,914</u>

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances-Total Governmental Funds \$ 658,868

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 capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 929,510	
Depreciation	<u>(395,538)</u>	
Total		533,972

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (617,099)

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

Delinquent Property Taxes	(15,093)	
Intergovernmental	30,185	
Other revenues	<u>(112,355)</u>	
Total		(97,263)

Repayment of bond principal are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 590,000

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

Pension		2,187,533
OPEB		91,656

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net OPEB asset are reported as pension/OPEB expense in the Statement of Activities.

Pension		(2,986,894)
OPEB		3,117,700

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

Compensated Absences	(19,313)	
Bond Accretion	122,716	
Accrued Interest	1,105	
Amortization of Bond Premiums	25,246	
Deferred Amount on Refunding	<u>(22,566)</u>	
Total		<u>107,188</u>

Change in Net Position of Governmental Activities \$ 3,585,661

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$ 13,035,026	\$ 13,035,026	\$ 11,781,168	\$ (1,253,858)
Intergovernmental	15,263,430	15,263,430	15,116,422	(147,008)
Interest	259,956	259,956	432,537	172,581
Tuition	1,356,075	1,356,075	1,268,882	(87,193)
Extracurricular Activities	82,996	82,996	66,847	(16,149)
Rentals	16,142	16,142	32,948	16,806
Contributions and Donations	550	550	500	(50)
Transportation Fees	71,220	71,220	61,434	(9,786)
Payments in Lieu of Taxes	51,934	51,934	47,780	(4,154)
Classroom Materials and Fees	270	270	10	(260)
Contract Services	217,907	217,907	207,212	(10,695)
Miscellaneous	34,101	34,101	107,403	73,302
Total Revenues	<u>30,389,607</u>	<u>30,389,607</u>	<u>29,123,143</u>	<u>(1,266,464)</u>
Expenditures				
Current:				
Instruction				
Regular	11,977,010	12,831,480	12,028,141	803,339
Special	5,085,847	5,448,685	4,925,866	522,819
Vocational	286,105	306,217	273,995	32,222
Other	829,099	888,249	874,346	13,903
Supporting Services				
Pupils	1,375,900	1,474,060	1,566,091	(92,031)
Instructional Staff	2,134,147	2,286,403	1,457,186	829,217
Board of Education	34,514	36,976	25,116	11,860
Administration	2,349,417	2,517,031	2,357,218	159,813
Fiscal Services	748,195	801,573	689,223	112,350
Business	131,705	141,101	105,115	35,986
Operation and Maintenance of Plant Services	2,194,220	2,350,762	2,530,366	(179,604)
Pupil Transportation	1,069,432	1,145,728	1,142,738	2,990
Central	209,610	224,564	225,135	(571)
Operation of Non-Instructional Services	57,084	61,157	60,106	1,051
Extracurricular Activities	421,006	451,042	408,069	42,973
Capital Outlay	21,665	23,511	-	23,511
Debt Service:				
Principal	56,004	60,000	60,000	-
Interest & Fiscal Charges	32,323	34,629	29,820	4,809
Total Expenditures	<u>29,013,283</u>	<u>31,083,168</u>	<u>28,758,531</u>	<u>2,324,637</u>
Excess of Revenues Over (Under) Expenditures	<u>1,376,324</u>	<u>(693,561)</u>	<u>364,612</u>	<u>1,058,173</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	238,434	238,434	320,129	81,695
Advances In	46,904	46,904	-	(46,904)
Transfers Out	(57,460)	(57,460)	(84,606)	(27,146)
Total Other Financial Sources (Uses)	<u>227,878</u>	<u>227,878</u>	<u>235,523</u>	<u>7,645</u>
Net Change in Fund Balance	1,604,202	(465,683)	600,135	1,065,818
Fund Balance - Beginning of Year	16,084,396	16,084,396	16,084,396	-
Prior Year Encumbrances Appropriated	615,169	615,169	615,169	-
Fund Balance - End of Year	<u>\$ 18,303,767</u>	<u>\$ 16,233,882</u>	<u>\$ 17,299,700</u>	<u>\$ 1,065,818</u>

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019**

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 23,957	\$ 85,063
Liabilities		
Due to Students	-	\$ 85,063
Net Position		
Held in Trust for Scholarships	23,957	
Total Net Position	\$ 23,957	

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Private Purpose Trust
Deductions	
Scholarships awarded	\$ 200
<i>Change in Net Position</i>	(200)
<i>Net Position Beginning of Year</i>	24,157
<i>Net Position End of Year</i>	\$ 23,957

See accompanying notes to the basic financial statements.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT

The Tiffin City School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership (ADM) was 2,856. The District employed 196 certified employees and 174 non-certified employees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below:

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative (NOACSC)

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

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

North Central Ohio Regional Council of Governments (NCORcog)

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

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

INSURANCE PURCHASING POOLS

North Central Ohio Joint Self-Insurance Association (the “Association”)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center and four school districts - Tiffin, Old Fort, Seneca East, and Mohawk. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association’s Board of Directors is comprised of one member from each of the school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 11.B. for further information on this public entity risk pool.

Workers’ Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials/ School Boards Association (OASBO/OSBA), Ohio Workers’ Compensation Group Retrospective-Rating Program (GRP). The GRP is sponsored by OASBO/OSBA and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program. Refer to Note 11.C. for further information on the GRP.

B. **Fund Accounting**

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

GOVERNMENTAL FUNDS

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

B. Fund Accounting (Continued)

GOVERNMENTAL FUNDS (Continued)

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

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

Government-wide Financial Statements (Continued)

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

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

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

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

D. **Basis of Accounting**

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

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

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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

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

Revenues - Exchange and Nonexchange Transactions (Continued)

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, both the government-wide Statement of Net Position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes, intergovernmental grants, and other revenue not available.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenue are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 20. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. See Notes 12 and 13)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. **Budgets**

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

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

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

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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

F. Cash and Investments

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

During fiscal year 2019, investments were limited to investments in State Treasury Asset Reserve of Ohio (STAR Ohio). The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing State statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$432,537, which includes \$10,099 assigned from other District funds.

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

An analysis of the District's investment account at fiscal year end is provided in Note 5.

G. Inventory

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

G. **Inventory** (Continued)

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

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

H. **Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District increased the capitalization threshold from \$1,000 to \$5,000 during fiscal year 2019. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Useful Lives
Land Improvements	15 years
Buildings and Improvements	40 years
Furniture and Equipment	8 years
Vehicles	8 years

I. **Interfund Balances**

On the governmental fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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

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

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

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

For advance refundings resulting in the defeasance of debt reported on the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the Statement of Net Position on the government-wide financial statements.

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the Statement of Net Position is presented in Note 9.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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

M. **Fund Balance** (Continued)

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

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

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

N. **Net Position**

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

O. **Prepayments**

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

P. **Estimates**

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

Q. **Interfund Activity**

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

R. **Pensions/Other Postemployment Benefits (OPEB)**

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

S. **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this Statement did not have an effect on the financial statements of the District.

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (CONTINUED)**

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this Statement did not have an effect on the financial statements of the District.

NOTE 4: **ACCOUNTABILITY**

Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor Funds</u>	
IDEA Part-B	\$ 82,948
Title I	119,688
IDEA Preschool	2,117
Improving Teacher Quality	9,969
Miscellaneous Federal Grants	20,925

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

NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

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

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

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in such securities described are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.
8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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

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

A. **Cash on Hand**

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

B. **Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all District deposits was \$3,146,555. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2019, \$2,832,167 of the District’s bank balance of \$3,609,748 was covered by Federal Depository Insurance and \$504,781 was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name, and \$272,800 was uninsured and uncollateralized. The District’s financial institution was approved for a reduced collateral rate of fifty percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the District’s cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The District’s financial institution is enrolled in OPCS.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

C. **Investments**

STAR Ohio is measured at net asset value per share. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The below tables identify the School District's recurring fair value measurement as of June 30, 2019. As previously discussed Star Ohio is reported at its net asset value.

Investment Type	Net Asset Value	Investment Maturities 6 months or less
STAR Ohio	\$ 18,572,130	\$ 18,572,130

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

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

Concentration of Credit Risk: The District investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

Investment Type	Net Asset Value	% of Total
STAR Ohio	\$ 18,572,130	100%

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and Investments Per Note</u>	
Carrying Amount of Deposits	\$ 3,146,555
Investments	18,572,130
Cash on Hand	<u>3,000</u>
Total	<u><u>\$ 21,721,685</u></u>
<u>Cash and Investments per Statement of Net Position</u>	
Governmental Activities	\$ 21,612,665
Private-Purpose Trust Funds	23,957
Agency Funds	<u>85,063</u>
Total	<u><u>\$ 21,721,685</u></u>

NOTE 6: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

The amount available as an advance at June 30, 2019 was \$399,002 in the General Fund, \$20,441 in the Bond Retirement Fund (a nonmajor governmental fund), \$26,253 in the Permanent Improvement Fund (a nonmajor governmental fund), and \$4,887 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$549,109 in the General Fund, \$36,205 in the Bond Retirement Fund (a nonmajor governmental fund), \$36,123 in the Permanent Improvement Fund (a nonmajor governmental fund) and \$6,725 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and delinquent tangible personal property taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows. On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 334,535,170	87.58%	\$ 336,607,500	87.28%
Public Utility Personal	47,444,930	12.42%	49,054,390	12.72%
Total	\$ 381,980,100	100.00%	\$ 385,661,890	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$ 58.37		 \$ 57.81	

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (CONTINUED)**

NOTE 7: RECEIVABLES

Receivables at June 30, 2019, consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the Statement of Net Position follows:

<u>Governmental Activities</u>	
Taxes	\$ 13,705,402
Accounts	12,339
Intergovernmental	652,165
Total Governmental Activities	<u><u>\$ 14,369,906</u></u>

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

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

This receivable, in the amount of \$165,716 is included in the intergovernmental receivable amount reported on the Statement of Net Position.

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TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

NOTE 8: CAPITAL ASSETS

During fiscal year 2019 the District's capital asset threshold changed from \$1,000 to \$5,000. Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 2,031,437	\$ -	\$ -	\$ 2,031,437
Construction in Progress	-	457,092	-	457,092
Total Capital Assets, not being depreciated	<u>2,031,437</u>	<u>457,092</u>	<u>-</u>	<u>2,488,529</u>
Capital Assets, being depreciated:				
Land Improvements	2,428,132	81,883	(6,545)	2,503,470
Buildings and Improvements	24,578,019	25,962	(82,484)	24,521,497
Furniture and Equipment	5,197,344	180,905	(2,907,036)	2,471,213
Vehicles	2,123,662	183,668	(15,050)	2,292,280
Total Capital Assets, being depreciated	<u>34,327,157</u>	<u>472,418</u>	<u>(3,011,115)</u>	<u>31,788,460</u>
Less Accumulated Depreciation:				
Land Improvements	(2,163,377)	(26,252)	927	(2,188,702)
Buildings and Improvements	(12,353,703)	(198,152)	51,805	(12,500,050)
Furniture and Equipment	(3,266,468)	(83,628)	2,329,679	(1,020,417)
Vehicles	(1,179,966)	(87,506)	11,605	(1,255,867)
Total Accumulated Depreciation	<u>(18,963,514)</u>	<u>(395,538)</u>	<u>2,394,016</u>	<u>(16,965,036)</u>
Total Capital Assets being depreciated, Net	<u>15,363,643</u>	<u>76,880</u>	<u>(617,099)</u>	<u>14,823,424</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 17,395,080</u>	<u>\$ 533,972</u>	<u>\$ (617,099)</u>	<u>\$ 17,311,953</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$ 24,557
Supporting Services:		
Administration		2,027
Operation and Maintenance of Plant		246,325
Pupil Transportation		107,844
Operation of Non-Instructional Services:		
Food Service Operations		14,785
Total Depreciation Expense		<u>\$ 395,538</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 9: LONG-TERM OBLIGATIONS

During fiscal year 2019, the following activity occurring in the governmental activities long-term obligations.

	Balance as of 6/30/2018	Issuances	Retirements	Balance as of 6/30/2019	Amounts Due In One Year
School Improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	\$ 147,716	\$ 12,284	\$ (160,000)	\$ -	\$ -
School Improvement refunding bonds, 2.00 to 3.00% matures 12/01/2023	3,765,000	-	(465,000)	3,300,000	630,000
Energy Conservation Bonds	505,000	-	(40,000)	465,000	40,000
Certificates of Participation - Direct borrowings	725,000	-	(60,000)	665,000	60,000
Total Net Pension Liability	28,089,559	-	(575,393)	27,514,166	-
Total Net OPEB Liability	6,518,415	186,577	(3,528,952)	3,176,040	-
Compensated Absences	1,002,226	99,777	(80,464)	1,021,539	81,229
Total Long-Term Obligations	<u>\$ 40,752,916</u>	<u>\$ 298,638</u>	<u>\$ (4,909,809)</u>	<u>\$ 36,141,745</u>	<u>\$ 811,229</u>
Add: unamortized premium				111,501	
Total on statement of net position				<u>\$ 36,253,246</u>	

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

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

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

On May 1, 2007, the District issued school improvement bonds (series 2007 refunding bonds) to advance refund the callable portion of the series 2001 school improvement general obligation bonds (principal of \$6,200,000 refunded). The refunding issue is comprised of both current interest bonds, par value \$5,990,000, and capital appreciation bonds, par value \$210,000. The capital appreciation bonds mature between December 1, 2015 and December 1, 2018 at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,195,000. The current interest bonds were refunded in fiscal year 2017.

Principal and interest payments are paid from the Bond Retirement Fund (a nonmajor governmental fund).

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

The net carrying value of the old debt exceeded the reacquisition price by \$148,562. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next seven years by 5.95% and resulted in an economic gain of \$257,519.

The following is a schedule of activity for fiscal year 2019 of the refunding bonds:

	Balance as of 6/30/2018	Issuances	Retirements	Balance as of 6/30/2019
School Improvement refunding bonds, Series 2007				
Capital Appreciation Bonds	\$ 25,000	\$ -	\$ (25,000)	\$ -
Accretion on Bonds	122,716	12,284	(135,000)	-
School Improvement refunding bonds, Series 2017				
Current Interest Bonds	3,765,000	-	(465,000)	3,300,000
Premium on Bonds	136,747	-	(25,246)	111,501
Total refunding bonds	<u>\$ 4,049,463</u>	<u>\$ 12,284</u>	<u>\$ (650,246)</u>	<u>\$ 3,411,501</u>

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

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ 630,000	\$ 79,950	\$ 709,950
2021	645,000	67,200	712,200
2022	655,000	50,925	705,925
2023	675,000	30,975	705,975
2024	695,000	10,425	705,425
	<u>\$ 3,300,000</u>	<u>\$ 239,475</u>	<u>\$ 3,539,475</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

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

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

Fiscal Year Ending June 30,	Certificates of Participation - Direct Borrowings		
	Principal	Interest	Total
2020	\$ 60,000	\$ 27,300	\$ 87,300
2021	60,000	24,780	84,780
2022	60,000	22,260	82,260
2023	70,000	19,635	89,635
2024	70,000	16,695	86,695
2025-2029	345,000	37,170	382,170
	<u>\$ 665,000</u>	<u>\$ 147,840</u>	<u>\$ 812,840</u>

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

The District's outstanding certificate of participation is secured with windows installed at the District to reduce energy consumption. The outstanding certificate of participation contain provision that in an event of default, the (a) lessor may declare all rental payments and other amounts payable by Lessee to be due, (b) lessor may terminate the equipment schedules and retake possession of the equipment, (c) lessor may take any action that is permitted by applicable law to enforce or to protect any of its rights under the equipment schedule and master lease

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

The following is a summary of future debt service requirements to maturity for the energy conservation bonds outstanding at June 30, 2019:

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
2020	\$ 40,000	\$ 16,020	\$ 56,020
2021	40,000	14,580	54,580
2022	40,000	13,140	53,140
2023	45,000	11,610	56,610
2024	45,000	9,990	54,990
2025-2029	255,000	23,850	278,850
	<u>\$ 465,000</u>	<u>\$ 89,190</u>	<u>\$ 554,190</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The Ohio Revised Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$32,649,644 (including available funds of \$1,240,074), an unvoted debt margin of \$385,662 and an unvoted energy conservation debt margin of \$3,005,957.

NOTE 10: COMPENSATED ABSENCES

A. Vacation

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 10: **COMPENSATED ABSENCES** (Continued)

B. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of 1 ¼ days for each calendar month under contract. Sick leave is cumulative to 260, 265, or 270 days based upon the employee's union agreement.

C. Service Retirement

Certified employees with at least 10 years of District service, are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on 25 percent of accumulative sick leave to a maximum of 65 or 67.5 days, based upon the employee's union agreement.

Non-certified employees with at least 10 years of District service, are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the non-certified employee's accrued but unused sick leave days at the time of retirement based on 25 percent of accumulative sick leave to a maximum of 65 or 66.25 days, based upon the employee's union agreement.

NOTE 11: **RISK MANAGEMENT**

A. Property and Liability

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

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 2,000,000	General Aggregate	
	2,000,000	Products/Completed Ops. Aggregate	
	1,000,000	Personal & Advertising Injury	
	1,000,000	Each Occurrence	
	500,000	Fire Damage	
	15,000	Medical Expense	
Business Auto	1,000,000	Liability (Combined Single Limit)	
	5,000	Medical Payments	
Commercial Property	69,642,667	Blanket Buildings	2,500
	6,449,335	Blanket Business Personal Property	2,500

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 11: **RISK MANAGEMENT** (Continued)

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

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
Employers Liability	\$ 1,000,000	Each Accident	
	1,000,000	Disease - Policy Limit	
	1,000,000	Disease - Each Employee	
	2,000,000	Aggregate	
Employee Benefits Liability	1,000,000	Each Claim	1,000
	3,000,000	Aggregate	
Sexual Misconduct	1,000,000	General Aggregate	5,000
	1,000,000	Each Occurrence	
	300,000	Innocent party Aggregate Defense Limit	5,000
Errors & Omissions	1,000,000	Each Wrongful Act	10,000
	1,000,000	Aggregate	
Data Processing Equipment	1,520,250	Hardware/Breakdown	500
Crime	50,000	Employee Dishonesty	500
	10,000	Bond per Employee	
Flood:			
Tiffin Middle School	500,000	Building	2,000
	500,000	Contents	2,000
Athletic Complex/Maintenance	500,000	Building	2,000
	50,000	Contents	2,000
Law Enforcement Liability	1,000,000	Each Wrongful Act	2,500
	1,000,000	Aggregate	
Data Compromise	500,000	Aggregate	5,000
Attack & Extortion and Network Security	500,000	Aggregate	10,000

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

B. **Health Insurance**

The District is a member of the North Central Ohio Joint Self-Insurance Association (the "Association"). This organization is a public entity risk pool consisting of the District, North Central Ohio Educational Service Center, and three local school districts: Old Fort, Seneca East, and Mohawk.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 11: **RISK MANAGEMENT** (Continued)

B. **Health Insurance** (Continued)

The Association was established pursuant to ORC 9.833 in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the school districts and the educational service center. The North Central Ohio Educational Service Center acts as fiscal agent for the association.

C. **Workers' Compensation**

For fiscal year 2019, the District participated in the OASBO/OSBA Workers' Compensation Group Retrospective-Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 12: **DEFINED BENEFIT PENSION PLAN**

A. **Net Pension Liability**

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

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

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

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

A. **Net Pension Liability** (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years.

If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3 percent annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5 percent and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.50 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$561,734 for fiscal year 2019. Of this amount \$56,003 is reported as an intergovernmental payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017 the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contributions to STRS was \$1,625,799 for fiscal year 2019. Of this amount \$271,100 is reported as an intergovernmental payable.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.11052140%	0.09044814%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.11334580%</u>	<u>0.09561069%</u>	
Change in Proportionate Share	<u>0.00282440%</u>	<u>0.00516255%</u>	
Proportionate Share of the Net Pension			
Liability	\$6,491,523	\$21,022,643	\$27,514,166
Pension Expense	\$828,009	\$2,158,885	\$2,986,894

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 356,021	\$ 485,268	\$ 841,289
Changes of assumptions	146,592	3,725,608	3,872,200
Changes in proportion and differences between District contributions and proportionate share of contributions	404,607	983,450	1,388,057
District contributions subsequent to the measurement date	<u>561,734</u>	<u>1,625,799</u>	<u>2,187,533</u>
Total Deferred Outflows of Resources	<u>\$ 1,468,954</u>	<u>\$ 6,820,125</u>	<u>\$ 8,289,079</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 137,290	\$ 137,290
Net difference between projected and actual earnings on pension plan investments	179,863	1,274,789	1,454,652
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>-</u>	<u>237,491</u>	<u>237,491</u>
Total Deferred Inflows of Resources	<u>\$ 179,863</u>	<u>\$ 1,649,570</u>	<u>\$ 1,829,433</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

\$2,187,533 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$742,950	\$1,983,049	\$2,725,999
2021	252,604	1,390,094	1,642,698
2022	(213,034)	244,613	31,579
2023	(55,163)	(73,000)	(128,163)
Total	\$727,357	\$3,544,756	\$4,272,113

E. Actuarial Assumptions - SERS

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

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$9,143,801	\$6,491,523	\$4,267,767

F. **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation:

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Discount Rate of Return	7.45 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation **	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$30,700,804	\$21,022,643	\$12,831,395

G. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2019, six seasonal student workers had elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 13: **DEFINED BENEFIT OPEB PLANS**

A. **Net OPEB Liability/Asset**

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

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

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

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

A. Net OPEB Liability/Asset (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability and net OPEB asset. Resulting adjustments to the net OPEB liability and net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents.

Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$70,851.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$91,656 for fiscal year 2019. Of this amount \$72,925 is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and net OPEB asset were measured as of June 30, 2018, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability and net OPEB asset were based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.11139180%	0.09044814%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.11448200%</u>	<u>0.09561069%</u>	
Change in Proportionate Share	<u>0.00309020%</u>	<u>0.00516255%</u>	
Proportionate Share of the Net OPEB Liability	\$3,176,040	(\$1,536,367)	\$1,639,673
OPEB Expense	\$194,160	(\$3,311,860)	(\$3,117,700)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 51,844	\$ 179,450	\$ 231,294
Changes in proportionate Share and difference between District contributions and proportionate share of contributions	194,861	183,969	378,830
District contributions subsequent to the measurement date	<u>91,656</u>	<u>-</u>	<u>91,656</u>
Total Deferred Outflows of Resources	<u>\$ 338,361</u>	<u>\$ 363,419</u>	<u>\$ 701,780</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 89,514	\$ 89,514
Changes of assumptions	285,342	2,093,422	2,378,764
Net difference between projected and actual earnings on OPEB plan investments	4,766	175,517	180,283
Changes in Proportionate Share and Difference between District contributions and proportionate share of contributions	<u>-</u>	<u>50,912</u>	<u>50,912</u>
Total Deferred Inflows of Resources	<u>\$ 290,108</u>	<u>\$ 2,409,365</u>	<u>\$ 2,699,473</u>

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$91,656 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability and net OPEB asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	(\$36,912)	(\$369,645)	(\$406,557)
2021	(26,925)	(369,645)	(396,570)
2022	4,694	(369,646)	(364,952)
2023	6,724	(329,785)	(323,061)
2024	6,394	(315,801)	(309,407)
Thereafter	<u>2,622</u>	<u>(291,424)</u>	<u>(288,802)</u>
Total	<u><u>(\$43,403)</u></u>	<u><u>(\$2,045,946)</u></u>	<u><u>(\$2,089,349)</u></u>

E. Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$3,853,875	\$3,176,040	\$2,639,322

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
District's proportionate share of the net OPEB liability	\$2,562,482	\$3,176,040	\$3,988,501

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation is presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription Drug		
Pre-Medicare	8.00 percent	4.00 percent
Medicare	-5.23 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions – STRS (Continued)

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation **</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018.

Sensitivity of the District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	\$1,316,810	\$1,536,367	\$1,720,893
		<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$1,710,476	\$1,536,367	\$1,359,544

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 14: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis). The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance	
GAAP Basis	\$ 845,075
Net Adjustment for Revenue Accruals	48,437
Net Adjustment for Expenditure Accruals	122,518
Net Adjustment for Other Financing Sources	320,129
Funds with Separate Legally Adopted Budgets	(11,926)
Adjustment for Encumbrances	(724,098)
Budget Basis	\$ 600,135

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies Fund and the Public School Support Fund.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

NOTE 15: CONTINGENCIES

A. Grants

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

B. Litigation

The District is party to one legal proceeding that was settle as an insurance claim. The District is of the opinion that the claim had no material effect on the financial condition of the District.

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, the District received a positive adjustment of \$61,265 in fiscal year 2020. This amount has not been included in the financial statements.

NOTE 16: SET-ASIDES

The District is required by State law to annually set aside certain General Fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2018	\$ -
Current Year Set-Aside Requirements	462,920
Qualifying Disbursements	(371,848)
Qualifying Offsets	(1,006,750)
Total	\$ (915,678)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ -
Set-Aside Balance as of June 30, 2019	\$ -

**TIFFIN CITY SCHOOL DISTRICT
 SENECA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (CONTINUED)**

NOTE 17: OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	Outstanding Encumbrances
General Fund	\$ 646,454
Nonmajor governmental funds	338,153
	\$ 984,607

NOTE 18: INTERFUND TRANSACTIONS

A. Interfund Transfers

During fiscal year 2019, \$61,460 was transferred from the General Fund to Other Governmental Funds to provide additional resources for current operations and to pay for the energy conservation debt. On the government-wide financial statements, the transfers between governmental funds of \$61,460 were eliminated since they were within governmental activities.

B. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 121,930

On the fund financial statements, the General Fund reported an interfund receivable and the nonmajor governmental fund reported an interfund payable of \$121,930. The General Fund provided loans to the nonmajor governmental funds to eliminate negative cash balances and to provide short-term funding of operations for federal grants. The General Fund covered the cash deficits in the nonmajor governmental funds until funds are received from the grantor. The District anticipates received reimbursements from the grantor shortly after year-end.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

NOTE 19: FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>			
Inventories	\$ 184,146	\$ 18,802	\$ 202,948
<i>Restricted for</i>			
Food Service Operations	-	409,090	409,090
Capital Projects	-	478,109	478,109
Classroom Facilities Maintenance	-	1,032,498	1,032,498
Debt Service	-	1,240,074	1,240,074
Auxiliary Services	-	38,813	38,813
District Managed Activities	-	147,767	147,767
Other Grants	-	50,919	50,919
<i>Total Restricted</i>	<u>-</u>	<u>3,397,270</u>	<u>3,397,270</u>
<i>Assigned to</i>			
FY20 appropriations	-	-	-
Student Instruction	172,408	-	172,408
Student Staff and Support	530,301	-	530,301
<i>Total Assigned</i>	<u>702,709</u>	<u>-</u>	<u>702,709</u>
<i>Unassigned (Deficit)</i>	<u>15,076,634</u>	<u>(235,647)</u>	<u>14,840,987</u>
Total Fund Balances	<u><u>\$ 15,963,489</u></u>	<u><u>\$ 3,180,425</u></u>	<u><u>\$ 19,143,914</u></u>

NOTE 20: TAX ABATEMENTS

The City of Tiffin was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Under the authority of ORC Sections 5709.62 and 5709.63, the EZ program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An EZ is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An EZ's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

NOTE 20: **TAX ABATEMENTS** (Continued)

All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill. For fiscal year 2019, the School District's value of the property taxes forgone amount to \$4,983.

The City of Tiffin entered into multiple property tax abatement agreements with property owners under The Ohio Community Reinvestment Area (CRA) program. Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. For fiscal year 2019, the School District's value of the property taxes forgone amount to \$258,306.

NOTE 20: **SUBSEQUENT EVENTS**

During FY2020, the District purchased 84 acres of land for \$998,000 for a potential elementary construction project in cooperation with the Ohio Facilities Construction Commission.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.1133458%	0.1105214%	0.1022243%	0.0971476%	0.093905%	0.093905%
School District's Proportionate Share of the Net Pension Liability	\$6,491,523	\$6,603,409	\$7,481,876	\$5,543,336	\$4,752,479	\$5,584,229
School District's Covered Payroll	\$3,889,333	\$3,562,900	\$3,142,907	\$2,924,651	\$2,728,701	\$2,690,007
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	166.91%	185.34%	238.06%	189.54%	174.17%	207.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.09561069%	0.09044814%	0.09178093%	0.09017372%	0.09013556%	0.09013556%
School District's Proportionate Share of the Net Pension Liability	\$ 21,022,643	\$ 21,486,150	\$ 30,721,844	\$ 24,921,378	\$ 21,924,088	\$ 26,115,830
School District's Covered Payroll	\$ 11,137,136	\$ 9,988,007	\$ 9,725,186	\$ 9,408,114	\$ 9,209,362	\$ 9,789,931
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.76%	215.12%	315.90%	264.89%	238.06%	266.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ 561,734	\$ 525,060	\$ 498,806	\$ 440,007	\$ 385,469	\$ 378,198	\$ 372,297	\$ 390,329	\$ 406,881	\$ 443,363
Contributions in Relation to the Contractually Required Contribution	<u>(561,734)</u>	<u>(525,060)</u>	<u>(498,806)</u>	<u>(440,007)</u>	<u>(385,469)</u>	<u>(378,198)</u>	<u>(372,297)</u>	<u>(390,329)</u>	<u>(406,881)</u>	<u>(443,363)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 4,160,993	\$ 3,889,333	\$ 3,562,900	\$ 3,142,907	\$ 2,924,651	\$ 2,728,701	\$ 2,690,007	\$ 2,902,074	\$ 3,236,921	\$ 3,274,468
Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ 1,625,799	\$ 1,559,199	\$ 1,398,321	\$ 1,361,526	\$ 1,317,136	\$ 1,197,217	\$ 1,272,691	\$ 1,361,416	\$ 1,500,845	\$ 1,493,646
Contributions in Relation to the Contractually Required Contribution	<u>(1,625,799)</u>	<u>(1,559,199)</u>	<u>(1,398,321)</u>	<u>(1,361,526)</u>	<u>(1,317,136)</u>	<u>(1,197,217)</u>	<u>(1,272,691)</u>	<u>(1,361,416)</u>	<u>(1,500,845)</u>	<u>(1,493,646)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 11,612,850	\$ 11,137,136	\$ 9,988,007	\$ 9,725,186	\$ 9,408,114	\$ 9,209,362	\$ 9,789,931	\$ 10,472,431	\$ 11,544,962	\$ 11,489,585
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.1144820%	0.1113918%	0.1029457%
School District's Proportionate Share of the Net OPEB Liability	\$ 3,176,040	\$ 2,989,463	\$ 2,934,333
School District's Covered Payroll	\$ 3,889,333	\$ 3,562,900	\$ 3,142,907
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.66%	83.91%	93.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability/Asset	0.09561069%	0.09044814%	0.09178093%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,536,367)	\$ 3,528,952	\$ 4,908,468
School District's Covered Payroll	\$ 11,137,136	\$ 9,988,007	\$ 9,725,186
School District's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-13.79%	35.33%	50.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution (1)	\$ 91,656	\$ 79,042	\$ 72,420	\$ 49,313	\$ 70,059	\$ 49,047	\$ 46,981	\$ 62,451	\$ 96,093	\$ 76,662
Contributions in Relation to the Contractually Required Contribution	<u>(91,656)</u>	<u>(79,042)</u>	<u>(72,420)</u>	<u>(49,313)</u>	<u>(70,059)</u>	<u>(49,047)</u>	<u>(46,981)</u>	<u>(62,451)</u>	<u>(96,093)</u>	<u>(76,662)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 4,160,993	\$ 3,889,333	\$ 3,562,900	\$ 3,142,907	\$ 2,924,651	\$ 2,728,701	\$ 2,690,007	\$ 2,902,074	\$ 3,236,921	\$ 3,274,468
OPEB Contributions as a Percentage of Covered Payroll (1)	2.20%	2.03%	2.03%	1.57%	2.40%	1.80%	1.75%	2.15%	2.97%	2.34%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,094	\$ 97,899	\$ 104,724	\$ 115,450	\$ 114,896
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	(92,094)	(97,899)	(104,724)	(115,450)	(114,896)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 11,612,850	\$ 11,137,136	\$ 9,988,007	\$ 9,725,186	\$ 9,408,114	\$ 9,209,362	\$ 9,789,931	\$ 10,472,431	\$ 11,544,962	\$ 11,489,858
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

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

Net Pension Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2019. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

Changes in benefit terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2019.

Changes in assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 and 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Medicare Trend Assumption

Medicare

Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent

Pre - Medicare

Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent and in fiscal year 2019 the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent, based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified.

The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – STRS

Also, for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service, and increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Provided Through to Subrecipients	Total Federal Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555		\$ 43,039
Cash Assistance	10.555		<u>432,274</u>
Total National School Lunch Program			475,313
School Breakfast Program	10.553		<u>75,680</u>
Total Child Nutrition Cluster			<u>550,993</u>
Total U.S. Department of Agriculture			<u>550,993</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	\$ 57,456	611,625
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027		653,416
Special Education - Preschool Grants	84.173		<u>26,134</u>
Total Special Education Cluster (IDEA)			679,550
Twenty-First Century Community Learning Centers	84.287		176,190
English Language Acquisition State Grants	84.365	4,174	4,174
Improving Teacher Quality State Grants	84.367		80,131
Student Support and Academic Enrichment Program	84.424		<u>44,040</u>
Total U.S. Department of Education		<u>61,630</u>	<u>1,595,710</u>
Total Expenditures of Federal Awards		<u>\$ 61,630</u>	<u>\$ 2,146,703</u>

The accompanying notes are an integral part of this schedule.

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Tiffin City School District, Seneca County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education (ODE) to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – 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 F – FOOD DONATION PROGRAM

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

NOTE G – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from fiscal year 2018 to 2019 programs:

**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 3,811.89
Special Education - Grants to States	84.027	\$ 17,582.96
Special Education - Preschool Grants	84.173	\$ 138.24
Improving Teacher Quality State Grants	84.367	\$ 126.44
Student Support and Academic Enrichment Program	84.424	\$ 3,331.64

NOTE H – PRIOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following errors were noted on the 2018 Schedule of Expenditures of Federal Award:

- Title I Grants to Local Educational Agencies (84.010) expenditures of \$69,413 passed through to the North Central Educational Service Center were inadvertently omitted from the fiscal year 2018 Schedule.
- English Language Acquisition Grants (84.365) expenditures of \$4,493 passed through to the North Central Educational Service Center were inadvertently omitted from the fiscal year 2018 Federal Schedule.

These errors would not have a material effect on the assessment major programs or testing of the major program.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tiffin City School District, Seneca County, Ohio (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

March 17, 2020



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Tiffin City School District, Seneca County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Tiffin City School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in finding 2019-003 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Tiffin City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster* for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2019-002. Our opinion on the major federal program is not modified with respect to this matter.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

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

and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2019-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2019-002 to be a significant deficiency.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 17, 2020

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**TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(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 weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires in part, as codified at GASB Cod 1800.165 - .179, fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- General fund assigned fund balance for subsequent year appropriations was overstated and unassigned fund balance was understated by \$1,978,517.
- Temporary Appropriations intended to fund the entire year were not used as the original budget for the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund, resulting in original budgeted expenditures being overstated by \$2,069,885.

These errors were the result of inadequate policies and procedures in reviewing the financial statements.

Failure to complete accurate financial statements could lead to Board Members making misinformed decisions. The accompanying financial statements, and notes to the financial statements have been adjusted to correct these errors.

Additional errors were noted in smaller relative amounts that did not require adjustment to the financial statements.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and Board, to identify and correct errors and omissions. Furthermore, the Treasurer should review Audit Bulletin 2011-004 for information on GASB Statement No. 54, to help ensure that all accounts are being properly posted to the financial statements.

Officials' Response:

Regarding the adjustment for subsequent year appropriations within the General fund, the District asserts this reclassification entry had no effect on its total liabilities, deferred inflows of resources and fund balances, nor its net position. Furthermore, the District understands Audit Bulletin 2011-004 as not specifying which subsequent appropriations should be used in financial reporting and acknowledges that it routinely calculated estimated receipts over appropriations according to its original budget adopted in subsequent years rather than supplemental modifications that may have followed.

The District will continue to review its financial statements and notes and will revise its procedure for reporting subsequent year appropriations over estimated receipts in accordance with this audit adjustment.

Regarding the adjustment for Temporary Appropriations intended to fund the entire year not being used for the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, it has regularly been the District's intent to use its permanent Annual Appropriation Resolution adopted prior to the first day of October to fund the entire year; therefore, such was intentionally used to compare budgeted and actual expenditures in its financial reporting. Temporary Appropriations routinely adopted by the governing board prior to the beginning of a new fiscal year were intended to fund and continue operations in a manner that was understandable and measurable by its members and public finance committee. To avoid making misinformed decisions, it was understood by all such members that temporary or any other appropriation measure could not exceed the District's Official Certificate of Resources applicable at the time.

The District will continue to review its financial statements and notes and will revise its procedure for adopting temporary appropriations to cover the limited period of time that normally precedes adoption of its Annual Appropriation Resolution.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2019-002		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553, National School Lunch Program – CFDA #10.555		
Federal Award Identification Number / Year	2018 and 2019		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Eligibility		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number? (if repeat)	N/A

Noncompliance and Significant Deficiency

2 CFR § 400.1 gives regulatory effect to the Department of Agriculture for **2 CFR § 200.303** which requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain effective internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

7 CFR § 245.6(a-c) provides that schools participating in the National School Lunch Program, School Breakfast Program, or Special Milk Program shall provide meal benefit forms to families in making application for free or reduced meals or free milk for their children, based on established eligibility criteria.

A child's eligibility for free or reduced price meals under the Child Nutrition Cluster program is established through direct certification or by submission of an annual application which furnishes such information as family income and family size. The District determines eligibility by comparing the data reported on the student application to published income eligibility guidelines from the Federal Register.

7 CFR § 245.6a(e)(1) provides that prior to conducting any other verification activity, an individual, other than the individual who made the initial eligibility determination, shall review for accuracy each approved application selected for verification to ensure that the initial determination was correct.

Due to deficiencies in the District's internal controls over compliance requirements, four percent of applications tested for eligibility compliance were determined to be eligible for reduced lunch instead of free lunches. Failing to properly determine eligibility could result in the District not being properly reimbursed for free, reduced, and full priced meals.

Furthermore, the District had the same individual determine both the initial eligibility and the verification eligibility procedures.

The District should review the applications for accuracy and only approve those free and reduced applications which meet the eligibility guidelines set for the School Breakfast Program and National School Lunch Program. Furthermore, the same individual who determines the initial eligibility should not be the same person who performs the verification eligibility procedures.

Officials' Response:

Regarding deficiencies in the District's internal controls over compliance requirements, the District understands that one application approved for free meals was within a relatively small amount of qualifying for reduced meals. In order to review applications for accuracy and only approve free and reduced applications which meet eligibility guidelines for the School Breakfast Program and National School Lunch Program, all individual determinations will be verified in the District's point-of-sale eligibility program.

Furthermore, the initial eligibility procedure and the eligibility verification procedure will be determined and performed by separate, qualified individuals on the Food Service management staff.

Finding Number	2019-003		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553, National School Lunch Program – CFDA #10.555		
Federal Award Identification Number / Year	2018 and 2019		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Procurement		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number? (if repeat)	N/A

Noncompliance and Material Weakness

2 CFR § 400.1 gives regulatory effect to the Department of Agriculture for **2 CFR § 200.318(a)** which requires that the non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. Also, **2 CFR § 200.320(b)** requires that non-Federal entities receiving Federal awards (i.e., auditee management) must use the small purchase procedures.

Per the District's Procurement policy "small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property, the dollar amount of which exceeds \$10,000 and does not exceed \$250,000; that is not subject to sealed bids. Small purchase procedures require that price or rate quotations shall be obtained from an adequate number of qualified sources."

Due to deficiencies in the District's internal controls over compliance requirements, thirty-six percent of the procurements tested for compliance did not contain the required price or rate quotations nor does the District's procurement policy include a specific number of qualified sources to obtain quotes from.

The District routinely ordered food and supplies from Tiffin Paper Company Food Service (\$62,151), Alfred Nickels Bakery, Inc. (\$13,161), and Toft's Dairy Inc. (\$52,372) despite not following their procurement policy and receiving price quotations for these products or services.

The lack of including a specific number of qualified sources to obtain quotes from in the District's procurement policy for small purchases and not obtaining quotes from vendors with costs more than the simplified acquisition threshold not only violates federal grant requirements but also increases the risk of noncompliance with grant requirements going undetected in a timely manner.

The District should review the federal regulations and ensure that all required policies are adequately addressed and followed and their procurement policy for small purchased should determine what an adequate number of qualified sources are.

Officials' Response:

Uniform Guidance does not specifically define a number of adequate sources. While the District believes that adequate procedures are used to place routine orders with credible vendors, it understands that formal documentation of its relatively simple and informal procurement methods permitted by Uniform Guidance should be retained. Routine orders from Alfred Nickels Bakery, Inc. and Toft's Dairy Inc. will be placed by a group purchasing organization that secures and retains adequate quotations. Price lists for other small purchases of food and supplies will regularly be requested, examined and retained from Tiffin Paper Company Food Service and available like providers.

Furthermore, the District will continue to review federal regulations to ensure that all required policies are adequately addressed and followed.

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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2019

Finding Number: 2019-001
Planned Corrective Action: The District will continue to review its financial statements and notes and will revise its procedure for reporting subsequent year appropriations over estimated receipts in accordance with this audit adjustment and will revise its procedure for adopting temporary appropriations to cover the limited period of time that normally precedes adoption of its Annual Appropriation Resolution.
Anticipated Completion Date: 06/30/2020
Responsible Contact Person: Sharon Perry, Treasurer

Finding Number: 2019-002
Planned Corrective Action: In order to review applications for accuracy and only approve free and reduced applications which meet eligibility guidelines for the School Breakfast Program and National School Lunch Program, all individual determinations will be verified in the District's point-of-sale eligibility program. Furthermore, the initial eligibility procedure and the eligibility verification procedure will be determined and performed by separate, qualified individuals on the Food Service management staff.
Anticipated Completion Date: 06/30/2020
Responsible Contact Person: Trudy Margraf, Food Service Director

Finding Number: 2019-003
Planned Corrective Action: Routine orders from Alfred Nickels Bakery, Inc. and Toft's Dairy Inc. will be placed by a group purchasing organization that secures and retains adequate quotations. Price lists for other small purchases of food and supplies will regularly be requested, examined and retained from Tiffin Paper Company Food Service and available like providers. Furthermore, the District will continue to review federal regulations to ensure that all required policies are adequately addressed and followed.
Anticipated Completion Date: 06/30/2020
Responsible Contact Person: Scott Daniel, Purchasing Agent and Trudy Margraf, Food Service Director

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OHIO AUDITOR OF STATE KEITH FABER



TIFFIN CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2020**