

Talawanda City School District



Basic Financial Statements

June 30, 2017



Dave Yost • Auditor of State

Board of Education
Talawanda City School District
131 W. Chestnut Street
Oxford, Ohio 45056

We have reviewed the *Independent Auditor's Report* of the Talawanda City School District, Butler County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 22, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Talawanda City School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules and schedules of net pension liabilities and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 20, 2017

TALAWANDA SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) Year Ended June 30, 2017

This discussion and analysis provides key information from management highlighting the overall financial performance of the Talawanda School District for the year ended June 30, 2017. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2017 are listed below:

- ✓ The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$8,306,290.
- ✓ In total, net position decreased by \$1,151,405.
- ✓ The School District had \$42,919,416 in expenses related to governmental activities; only \$4,226,065 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$37,541,946, made up primarily of property and income taxes as well as State Foundation payments, was used to provide for these programs.
- ✓ The General Fund's ending fund balance increased by \$439,002 from \$24,837,339 at June 30, 2016 to \$25,276,341 at June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

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The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual governmental funds. The most significant funds, known as major funds, are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. The School District has three major funds: the General Fund, the Debt Service Fund, and the Ohio School Facilities Commission Project Fund. Data for the other governmental funds is combined into a single aggregated presentation.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget for the General Fund and pension information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2017 and 2016:

	Governmental Activities	
	<u>FY17</u>	<u>FY16</u>
Current and other assets	\$ 60,553,498	\$ 65,349,980
Capital assets	<u>67,834,331</u>	<u>62,868,666</u>
Total assets	<u>128,387,829</u>	<u>128,218,646</u>
Deferred outflows of resources	<u>10,714,010</u>	<u>4,405,276</u>
Long-term liabilities:		
Net pension liability	57,265,778	46,347,060
Other long-term amounts	47,804,622	49,791,361
Other liabilities	<u>6,115,511</u>	<u>4,714,717</u>
Total liabilities	<u>111,185,911</u>	<u>100,853,138</u>
Deferred inflows of resource	<u>19,609,638</u>	<u>22,313,089</u>
Net position:		
Net investment in capital assets	22,765,895	19,431,634
Restricted:		
For capital projects	3,589,351	6,377,602
For debt service	3,155,636	3,856,193
For other purposes	1,921,415	1,474,291
Unrestricted (deficit)	<u>(23,126,007)</u>	<u>(21,682,025)</u>
Total net position	<u>\$ 8,306,290</u>	<u>\$ 9,457,695</u>

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During 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

A large portion of the School District's net position (\$22,765,895) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Primarily as a result of recognizing its proportionate share of net pension liabilities required under GASB Statement No. 68, the School District's unrestricted net position ended the fiscal year with a deficit balance of \$23,126,007.

Total assets were consistent between fiscal years. The decrease in current and other assets and increase in capital assets is primarily attributable to continued work on the Ohio Facilities Construction Commission Kramer Elementary project that was financed with State funding and bond proceeds. Kramer Elementary Phase I opened to students in January 2017. Phase II, consisting of a new parking lot and other site work continued through the rest of the fiscal year and was completed in August 2017.

Total liabilities increased by approximately \$10.3 million, or 10%. The increase in net pension liability of \$10.9 million was due to decreases in investment earnings experienced by both cost-sharing, multi-employer pension plans. The increases were partially offset by decreases in accounts payable, due to near completion of the Kramer Elementary project, and in other long-term amounts due to the School District meeting its annual debt service requirements.

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B. Governmental Activities during fiscal year 2017

The following table presents a condensed summary of the School District's activities during fiscal year 2017 and 2016 and the resulting change in net position:

	<u>FY17</u>	<u>FY16</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 2,365,675	\$ 1,886,107
Operating grants and contributions	<u>1,860,390</u>	<u>1,751,154</u>
Total program revenues	<u>4,226,065</u>	<u>3,637,261</u>
General revenues:		
Taxes	25,456,907	26,064,767
Grants and entitlements	10,966,324	11,081,805
Investment earnings	50,476	210,030
Miscellaneous	<u>1,068,239</u>	<u>1,365,613</u>
Total general revenues	<u>37,541,946</u>	<u>38,722,215</u>
Total revenues	<u>41,768,011</u>	<u>42,359,476</u>
Expenses:		
Instruction	24,912,058	22,133,592
Support services	13,236,724	12,353,603
Non-instructional services	1,080,236	956,167
Interest on long-term debt	2,482,004	2,555,159
Food services	<u>1,208,394</u>	<u>1,168,229</u>
Total expenses	<u>42,919,416</u>	<u>39,166,750</u>
Change in net position	(1,151,405)	3,192,726
Net position beginning of year	<u>9,457,695</u>	<u>6,264,969</u>
Net position end of year	<u>\$ 8,306,290</u>	<u>\$ 9,457,695</u>

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Of the total governmental activities revenues of \$41,768,011, \$4,226,065 is from program revenue. This means that the School District relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$25,456,907 (68%) comes from property and income taxes and \$10,966,324 (29%) is from state funding. The School District's operations are reliant upon its property tax levy, income taxes and the state's foundation program.

In total, revenues decreased by approximately \$591,000, or only 1%. The majority of this decrease took place in tax revenue and miscellaneous revenue, partially offset by increases in charges for services. The decrease in property taxes was primarily attributable to lower amounts of tax collections that are available to be advanced by the County Auditor, which do fluctuate from year-to-year. The decrease in miscellaneous revenue was attributable to Medicaid catchup payments made in the previous fiscal year. The increase in charges for services is due to timing in tuition-related payments from the State, as some fiscal year 2016 amounts were received in July 2016.

Total expenses increased by approximately \$3.8 million, or 10%. The significant increases that took place in instruction and support services were due to increases in net pension expenses across multiple functions associated with increases in net pension liabilities. Additionally, depreciation expense increased with Kramer Elementary opening during the fiscal year.

Governmental Activities

The following table presents the total cost of each of the School District's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 10% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$24,912,058 but program revenue contributed to fund 11% of those costs. Thus, general revenues of \$22,055,138 were used to support the remainder of the instruction costs.

Governmental Activities

	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 24,912,058	\$ 2,856,920	11%	\$ 22,055,138
Support services	13,236,724	63,313	0%	13,173,411
Non-instructional services	1,080,236	159,793	15%	920,443
Food service	1,208,394	1,146,039	95%	62,355
Interest on long-term debt	<u>2,482,004</u>	-	0%	<u>2,482,004</u>
Total	<u>\$ 42,919,416</u>	<u>\$ 4,226,065</u>	<u>10%</u>	<u>\$ 38,693,351</u>

TALAWANDA SCHOOL DISTRICT, OHIO
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FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Ohio School Facilities Commission (OSFC) Project Fund. Assets of these funds comprise \$53,805,049 (89%) of the total \$60,553,498 governmental funds' assets.

General Fund. Fund balance at June 30, 2017 was \$25,276,341, including \$23,868,001 of unassigned balance, which represents 71% of expenditures for fiscal year 2017. Overall, the General Fund experienced an increase of 2%, due to an increase tuition and fees revenue discussed previously, while expenditures increased 4%, due to COLA raises and benefit costs.

Debt Service Fund. The Debt Service Fund had a fund balance at June 30, 2017 of \$3,709,497, a decrease of \$596,592 over the prior fiscal year. The Debt Service Fund is used to accumulate resources to retire the School District's general obligation bonds. All required bond payments were made as schedule during the current fiscal year.

OSFC Project Fund. The OSFC Fund accounts for both local and state resources for the construction and renovation of school facilities. Project activity began on Kramer Elementary in fiscal year 2015, with the building opening to students in January 2017. Phase II continued through the rest of the fiscal year and was completed in August 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. For revenue, the final budget was increased 5% to account for higher tax and school foundation revenues that were coming in. The final budget and actual amounts were within less than 1%. The final expenditures budget was increased by 2% from the original budget to account for a prepayment transportation expenditures to receive a 4% discount. Actual expenditures came in less than budgeted by \$67,050, or less than 1%, due to budgeted contingency funds not being required.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2017, the School District had \$67,834,331 invested in a broad range of capital assets, including land, construction in progress, buildings, equipment, and vehicles. See Note 5 to the financial statements for more detail.

	Governmental Activities Capital Assets at Year-End (Net of Depreciation)	
	FY17	FY16
Land	\$ 2,473,497	\$ 2,473,497
Construction in progress	2,097,369	9,547,005
Land improvements	228,580	243,668
Buildings and improvements	61,685,621	48,747,226
Furniture and equipment	70,375	1,779,414
Vehicles	1,278,889	77,856
Total	\$ 67,834,331	\$ 62,868,666

Debt. As of June 30, 2017, the School District had \$43,110,000 outstanding in general obligation school improvement bonds and certificates of participation after making \$2,130,000 in principal payments during the fiscal year. See Note 10 to the financial statements.

ECONOMIC FACTORS

In November 2004, the School District passed a 1% School District Income Tax that has generated over \$6 million annually, reaching \$6.9 million in FY17. The School District continues working hard to maintain a positive general fund cash balance through the 2022 school year.

The School District began taking certain cost reduction measures beginning in fiscal year 2008 that continued through fiscal year 2017. These measures include attrition, increased class sizes and plan design changes for the School District's medical/dental plan consortium (called Butler Health Plan).

In November 2008, the School District passed a 4.7 mill G.O. Bond Issue to build a new High School. The cost of this new 190,000 square foot facility totaled approximately \$46 million. The project cost included site acquisition of a 154 acre parcel of land just south of the Oxford City limits on Route 27. The City annexed this land and is providing city services (including water and sewer) to the School District's new building. The building was certified for occupation in July 2012 and was about \$750,000 under budget. The district just began its 6th year in the high school facility.

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In December 2013, the Board of Education and the Ohio Facilities Construction Commission executed an agreement to construct a new 70,000 square foot elementary school in Oxford, OH. This new elementary replaced the School District's existing Kramer Elementary (at the same site). The cost of the new Kramer Elementary was \$17.1 million and the State paid \$11.5 million (or 67%) of this cost based on credits the School District previously earned through the State's Expedited Local Partnership Program. The balance was funded by the School District with \$3.82 million in Certificates of Participation (COPs), issued in August 2014; proceeds from disposition of its old high school site to Miami University; and additional locally funded initiatives for \$709,000, approved by the Board of Education in July 2015.

The debt service for the Kramer COPs will be paid from the School District's existing and ongoing permanent improvement fund and not the general fund nor a bond issue.

The new Kramer building (called Phase I) was completed on-time in December 2016 and the students, faculty and staff took occupancy of the new facility in January 2017 after the holiday break. Phase II of the project (consisting mostly of a new parking lot and certain other site work) was completed in August 2017. The project is currently in the close-out process and is expected to be under budget by at least \$100,000.

In September 2017, the Talawanda Board of Education unanimously approved a resolution to participate in a Segment-Two as part of the Commission's (OFCC's) Construction Facilities Assistance Program. This segment would replace the School District's Marshall Elementary with a new facility at the existing site. This would be a 47,666 square foot project with a state and local share of \$3.4 million and \$7.5 million, respectively. Similar to Kramer, the School District's local share for the Marshall project would be funded internally using COPs.

The Commission unanimously approved the Marshall project at its meeting on October 26, 2017, and the official funding request now moves to Ohio's Controlling Board, where approval is expected on December 4, 2017. The official Project Agreement between the Commission and the School District's Board will follow shortly after the aforementioned Controlling Board approval. In the meantime, the OFCC has already released requests for proposal for architectural services and interviews of the top 3 firms are likely to begin in December.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Talawanda School District, 131 West Chestnut Street, Oxford, Ohio 45056.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 36,885,305
Receivables:	
Taxes	22,574,856
Accounts	74,131
Intergovernmental	446,555
Supplies inventory	16,390
Prepaid items	215,830
Restricted assets	340,431
Nondepreciable capital assets	4,570,866
Depreciable capital assets, net	<u>63,263,465</u>
Total assets	<u>128,387,829</u>
 Deferred Outflows of Resources:	
Pensions	<u>10,714,010</u>
 Liabilities:	
Accounts payable	182,587
Accrued wages and benefits	3,307,247
Intergovernmental payable	518,037
Accrued interest payable	195,996
Unearned revenue	1,911,644
Noncurrent liabilities:	
Due within one year	2,524,773
Due more than one year:	
Net pension liability	57,265,778
Other amounts due more than one year	<u>45,279,849</u>
Total liabilities	<u>111,185,911</u>
 Deferred Inflows of Resources:	
Taxes levied for next fiscal year	19,263,379
Pensions	<u>346,259</u>
Total deferred inflows of resources	<u>19,609,638</u>
 Net Position:	
Net investment in capital assets	22,765,895
Restricted for:	
Capital projects	3,589,351
Debt service	3,155,636
Other purposes	1,921,415
Unrestricted (deficit)	<u>(23,126,007)</u>
 Total net position	<u>\$ 8,306,290</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Activities
Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 18,905,270	\$ 1,742,115	\$ 116,926	\$ (17,046,229)
Special education	4,439,602	-	927,103	(3,512,499)
Other instruction	1,567,186	-	70,776	(1,496,410)
Support services:				
Pupil	2,171,268	-	7,151	(2,164,117)
Instructional staff	1,205,712	-	45,882	(1,159,830)
Board of Education	91,852	-	-	(91,852)
Administration	2,376,110	-	75	(2,376,035)
Fiscal	1,408,261	-	258	(1,408,003)
Business	5,798	-	-	(5,798)
Operation and maintenance of plant	3,112,096	-	9,000	(3,103,096)
Pupil transportation	2,613,532	-	947	(2,612,585)
Central	252,095	-	-	(252,095)
Non-instructional services:				
Extracurricular activities	1,003,493	109,224	-	(894,269)
Community service	76,743	-	50,569	(26,174)
Food service	1,208,394	514,336	631,703	(62,355)
Interest on long-term debt	2,482,004	-	-	(2,482,004)
Total Governmental Activities	<u>\$ 42,919,416</u>	<u>\$ 2,365,675</u>	<u>\$ 1,860,390</u>	<u>(38,693,351)</u>

General Revenues:

Property taxes, levied for general purposes	14,620,115
Property taxes, levied for debt service	2,700,980
Property taxes, levied for capital projects	1,248,103
Income taxes	6,887,709
Grants and entitlements not restricted to specific programs	10,966,324
Investment earnings	50,476
Miscellaneous	1,068,239
Total general revenues	<u>37,541,946</u>
Change in net position	(1,151,405)
Net position beginning of year	<u>9,457,695</u>
Net position end of year	<u>\$ 8,306,290</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Balance Sheet

Governmental Funds

June 30, 2017

	General	Debt Service Fund	OSFC Project Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 25,686,688	\$ 3,674,626	\$ 2,254,256	\$ 5,269,735	\$ 36,885,305
Restricted cash	340,431	-	-	-	340,431
Receivables:					
Taxes	17,962,486	3,330,983	-	1,281,387	22,574,856
Accounts	74,131	-	-	-	74,131
Intergovernmental	266,834	-	-	179,721	446,555
Prepaid items	214,614	-	-	1,216	215,830
Supplies inventory	-	-	-	16,390	16,390
Total assets	<u>\$ 44,545,184</u>	<u>\$ 7,005,609</u>	<u>\$ 2,254,256</u>	<u>\$ 6,748,449</u>	<u>\$ 60,553,498</u>
Liabilities:					
Accounts payable	\$ 147,469	\$ -	\$ 3,421	\$ 31,697	\$ 182,587
Accrued wages and benefits	3,074,529	-	-	232,718	3,307,247
Intergovernmental payable	491,700	-	-	26,337	518,037
Unearned revenue	-	-	1,911,644	-	1,911,644
Compensated absences payable	9,929	-	-	-	9,929
Total liabilities	<u>3,723,627</u>	<u>-</u>	<u>1,915,065</u>	<u>290,752</u>	<u>5,929,444</u>
Deferred Inflows of Resources:					
Taxes levied for next fiscal year	14,751,156	3,279,929	-	1,232,294	19,263,379
Unavailable revenue	794,060	16,183	-	186,194	996,437
Total deferred inflows of resources	<u>15,545,216</u>	<u>3,296,112</u>	<u>-</u>	<u>1,418,488</u>	<u>20,259,816</u>
Fund Balances:					
Nonspendable	214,614	-	-	17,606	232,220
Restricted	-	3,709,497	339,191	5,166,911	9,215,599
Assigned	1,193,726	-	-	-	1,193,726
Unassigned	23,868,001	-	-	(145,308)	23,722,693
Total fund balances	<u>25,276,341</u>	<u>3,709,497</u>	<u>339,191</u>	<u>5,039,209</u>	<u>34,364,238</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 44,545,184</u>	<u>\$ 7,005,609</u>	<u>\$ 2,254,256</u>	<u>\$ 6,748,449</u>	<u>\$ 60,553,498</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		\$ 34,364,238
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.		67,834,331
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		996,437
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
GO bonds and COPS	43,110,000	
Unamortized premiums	640,572	
Bond accretion	374,048	
Compensated absences	2,153,073	
Lease-purchase agreement	1,517,000	
Accrued interest payable	195,996	
Total		(47,990,689)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:		
Deferred outflows - pensions	10,714,010	
Deferred inflows - pensions	(346,259)	
Net pension liability	(57,265,778)	
Total		(46,898,027)
Net Position of Governmental Activities		<u>\$ 8,306,290</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	General	Debt Service Fund	OSFC Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 21,684,181	\$ 2,730,943	\$ -	\$ 1,260,089	\$ 25,675,213
Tuition and fees	1,531,451	-	-	-	1,531,451
Interest	45,976	-	2,119	2,396	50,491
Charges for services	-	-	-	514,336	514,336
Intergovernmental	9,830,456	990,430	1,052,676	1,880,474	13,754,036
Other local revenues	1,067,281	-	9,122	278,486	1,354,889
Total revenues	<u>34,159,345</u>	<u>3,721,373</u>	<u>1,063,917</u>	<u>3,935,781</u>	<u>42,880,416</u>
Expenditures:					
Current:					
Instruction:					
Regular	15,547,969	-	-	346,409	15,894,378
Special education	3,354,584	-	-	872,765	4,227,349
Other instruction	1,465,988	-	-	70,807	1,536,795
Support services:					
Pupil	1,969,519	-	-	50,046	2,019,565
Instructional staff	1,121,290	-	-	45,617	1,166,907
Board of Education	91,092	-	-	-	91,092
Administration	2,267,627	-	-	75	2,267,702
Fiscal	1,339,400	37,480	-	17,951	1,394,831
Business	5,798	-	-	-	5,798
Operation and maintenance of plant	2,949,688	-	-	98,672	3,048,360
Pupil transportation	2,606,406	-	-	943	2,607,349
Central	240,281	-	-	433	240,714
Non-instructional services:					
Extracurricular activities	744,958	-	-	123,523	868,481
Community service	13,124	-	-	93,190	106,314
Food service	-	-	-	1,181,031	1,181,031
Capital outlay	2,619	-	4,728,552	2,339,036	7,070,207
Debt Service:					
Principal	-	2,005,000	-	255,000	2,260,000
Interest and fiscal charges	-	2,275,485	-	204,361	2,479,846
Total expenditures	<u>33,720,343</u>	<u>4,317,965</u>	<u>4,728,552</u>	<u>5,699,859</u>	<u>48,466,719</u>
Net change in fund balance	439,002	(596,592)	(3,664,635)	(1,764,078)	(5,586,303)
Fund balance, beginning of year	24,837,339	4,306,089	4,003,826	6,803,287	39,950,541
Fund balance, end of year	<u>\$ 25,276,341</u>	<u>\$ 3,709,497</u>	<u>\$ 339,191</u>	<u>\$ 5,039,209</u>	<u>\$ 34,364,238</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (5,586,303)
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.	
Capital asset additions	7,483,872
Depreciation expense	(2,153,426)
In the statement of activities, only the gain or loss on the sale of capital assets is reported, while only proceeds from the sale of assets are reported in the funds.	(364,781)
Principal paid on long-term debt is recorded as an expenditure in the governmental funds, but is recorded as a reduction of the long-term liability on the statement net position.	2,260,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.	7,158
Accretion on capital appreciation bonds is recorded each year as interest expense in the statement of activities, whereas in the governmental funds, an interest expenditure is recorded when due.	(81,160)
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 the governmental funds:	
Compensated absences	(266,688)
Amortization of premiums	71,844
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,112,405)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities report these amounts as deferred outflows.	2,698,511
Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>(4,108,027)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,151,405)</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Net Position

Fiduciary Funds

June 30, 2017

	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
Assets:		
Equity in pooled cash and investments	\$ 18,468	\$ 123,942
Total assets	<u>18,468</u>	<u>123,942</u>
Liabilities:		
Due to student groups	-	100,762
Due to others	-	23,180
Total liabilities	<u>-</u>	<u>\$ 123,942</u>
Net Position:		
Held in trust	<u>\$ 18,468</u>	

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Changes in Net Position

Fiduciary Funds

Year Ended June 30, 2017

	<u>Private- Purpose Trusts</u>
Additions:	
Contributions	\$ 280
Total additions	<u>280</u>
Deductions:	
Community gifts, awards and scholarships	<u>8,000</u>
Total deductions	<u>8,000</u>
Change in net position	(7,720)
Net position, beginning of year	<u>26,188</u>
Net position, end of year	<u>\$ 18,468</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Talawanda School District, Ohio (the "School District") have been prepared in conformity with generally accepted accounting principles (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.

A. Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. These organizations include Southwestern Ohio Computer Association, Butler Technology and Career Development Schools, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Butler Health Plan. These organizations are presented in Notes 13 and 14.

B. Basis of Presentation

Government-wide Financial Statements display information about the School District as a whole. The statement of net position and the statement of activities include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued***

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

C. **Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

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, liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Debt Service Fund – The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued***

OSFC Project Fund – The Ohio School Facilities Commission Project fund accounts for the accumulation of local and State resources for the construction of new facilities and improvement of existing buildings.

Fiduciary Funds report on net position and changes in net position. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. These assets are not available for the School District's use. Agency funds, used for student activities and unclaimed monies, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued***

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property and income taxes, grants, entitlements and donations. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position 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(s) and so will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue and pensions. Receivables for property taxes represent amounts that are measurable as of June 30, 2017, but are intended to finance 2018 operations. These amounts have been recorded as deferred inflows 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 fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pensions are reported on the government-wide statement of net position (see Note 7).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes 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 School District, deferred outflows of resources from pensions are reported on the government-wide statement of net position (see Note 7).

E. **Cash and Investments**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. During fiscal year 2017, the School District's investments were limited to U.S. money market funds, U.S. Agency securities, negotiable certificates of deposit, commercial paper and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2017, which approximates fair value.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

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

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), "*Fair Value Measurement and Application*", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2017 at fair value.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

F. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

G. Inventory

Inventories of governmental funds are stated at cost, determined on a first-in, first-out basis and recorded as expenditures in the governmental funds when consumed.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated acquisition values as of the date received. The School 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 capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued***

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

Buildings	30-50 years
Land improvements	10-20 years
Building improvements	10-40 years
Equipment and furniture	5-20 years
Vehicles	5-10 years

I. **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded for compensated absences only if they have matured, for example, as a result of employee resignations and/or retirements.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued***

K. **Pensions**

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

L. **Fund Balances**

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

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

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization set-aside.

N. Net Position

Net position represents the sum of assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Estimates

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

2. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

2. DEPOSITS AND INVESTMENTS—*continued*

Inactive deposits are public deposits that the Board has identified as not required for use within the current two-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 that 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 pass book accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

2. 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$15,373,457 of the School District's bank balance of \$15,623,457 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investments at June 30, 2017 are summarized as follows:

	<u>Balance at</u> 6/30/17	<u>Average</u> <u>Maturity</u> <u>(Years)</u>	<u>Concentration</u> <u>of Credit Risk</u>
STAR Ohio	\$ 189,634	n/a	0.86%
U.S. Money Market Funds	22,935	n/a	0.10%
FFCB	1,500,736	0.99	6.82%
FHLB	2,533,487	2.25	11.51%
FNMA	8,678,825	3.03	39.42%
FHLMC	1,202,181	0.66	5.46%
Negotiable CD's	4,124,607	1.78	18.73%
Commercial Paper	3,766,279	0.45	17.10%
	<u>\$ 22,018,684</u>		<u>100.00%</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

2. DEPOSITS AND INVESTMENTS—continued

Credit Risk. It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments in U.S. agency obligations were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in commercial paper were rated P-1 by Moody's and A-1 and higher by Standard & Poor's. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

Interest Rate Risk. In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

Fair Value Measurement. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as of June 30, 2017:

	Balance at 6/30/17	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>				
Negotiable CDs	\$ 4,124,607	\$ -	\$ 4,124,607	\$ -
U.S. Agency Obligations	13,915,229	-	13,915,229	-
Commercial Paper	3,766,279	-	3,766,279	-
STAR Ohio (net asset value)	189,634	n/a	n/a	n/a
U.S. Money Markets (amortized cost)	22,935	n/a	n/a	n/a
Total Investments by Fair Value Level	<u>\$ 22,018,684</u>	<u>\$ -</u>	<u>\$ 21,806,115</u>	<u>\$ -</u>

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers.

3. PROPERTY TAXES

Property taxes are levied and assessed on a calendar-year basis. Distributions from the second half of the calendar year occur in a subsequent fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against all real and public property located in the School District.

Real property taxes and public utility taxes are levied after April against the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised value.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

3. PROPERTY TAXES—*continued*

Public utility property taxes are assessed on tangible personal property as well as land and improvements. Real property is assessed at 35% of true value and tangible personal property is currently assessed at varying percentages of true value. These taxes attach as a lien against local and inter-exchange telephone companies and are levied January 1 of the current year. Tangible personal property tax on business inventory, manufacturing machinery, and equipment is no longer levied and collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amounts available as advances at June 30, 2017, were \$275,627 in the General Fund, \$34,871 in the Debt Service Fund, and \$42,620 in the Other Governmental Funds.

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

	<u>2016 Second- Half Collections</u>		<u>2017 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 651,226,350	92.98%	654,571,160	93.02%
Public Utility Property	<u>49,135,930</u>	7.02%	<u>49,079,910</u>	6.98%
Total Assessed Value	\$ <u><u>700,362,280</u></u>	100.00%	<u><u>703,651,070</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$55.30		\$54.30

4. INCOME TAXES

In November 2004, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2017, the School District recorded income tax revenue of \$6,887,709 in the entity-wide financials and a receivable as of June 30, 2017 of \$2,835,052.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

5. CAPITAL ASSETS

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

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
Governmental Activities				
Nondepreciable:				
Land	\$ 2,473,497	\$ -	\$ -	\$ 2,473,497
Construction in progress	9,547,005	7,030,530	(14,480,166)	2,097,369
	<u>12,020,502</u>	<u>7,030,530</u>	<u>(14,480,166)</u>	<u>4,570,866</u>
Depreciable:				
Land improvements	1,856,499	-	-	1,856,499
Buildings and improvements	68,477,998	14,480,166	-	82,958,164
Vehicles	554,620	-	-	554,620
Equipment and furniture	10,618,285	453,342	(478,620)	10,593,007
Educational media	1,253,844	-	-	1,253,844
Subtotal	<u>82,761,246</u>	<u>14,933,508</u>	<u>(478,620)</u>	<u>97,216,134</u>
Totals at historical cost	<u>94,781,748</u>	<u>21,964,038</u>	<u>(14,958,786)</u>	<u>101,787,000</u>
Less accumulated depreciation:				
Land improvements	1,612,831	15,088	-	1,627,919
Buildings and improvements	19,730,772	1,541,771	-	21,272,543
Vehicles	476,764	7,481	-	484,245
Equipment and furniture	8,838,871	589,086	(113,839)	9,314,118
Educational media	1,253,844	-	-	1,253,844
Total accumulated depreciation	<u>31,913,082</u>	<u>2,153,426</u>	<u>(113,839)</u>	<u>33,952,669</u>
Capital assets, net	<u>\$ 62,868,666</u>	<u>\$ 19,810,612</u>	<u>\$(14,844,947)</u>	<u>\$ 67,834,331</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

5. CAPITAL ASSETS—*continued*

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	1,819,937
Special education		16,704
Support services:		
Pupil		66,830
Instructional staff		7,833
Administration		5,592
Fiscal		5,068
Operation and maintenance of plant		94,861
Pupil transportation		6,183
Community service		12,578
Extracurricular activities		103,290
Food service		<u>14,550</u>
Total depreciation expense	\$	<u>2,153,426</u>

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District participated in the Ohio School Plan, a risk sharing pool (Note 14) for liability, property, auto, and crime insurance to address these various types of risk. Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

7. PENSION PLANS

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 School 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.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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:

Benefits	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 year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

7. PENSION PLANS—*continued*

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017 the allocation to pension, death benefits, and Medicare B was 14%.

The School District's contractually required contribution to SERS was \$558,287 for fiscal year 2017. Of this amount, \$156,021 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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.

7. PENSION PLANS—*continued*

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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 5 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 at age 50.

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 as one defined benefit plan for GASB 68 reporting purposes.

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. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and was increased 1% each year until it reached 14% on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations.

The School District's contractually required contribution to STRS was approximately \$2,140,224 for fiscal year 2017. Of this amount, \$362,016 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$10,819,253	\$46,446,525	\$57,265,778
Proportion of the Net Pension Liability	0.14782%	0.13876%	
Change in Proportion	-0.00340%	0.00228%	
Pension Expense	\$766,803	\$3,341,224	\$4,108,027

At June 30, 2017, the School 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	\$ 145,927	\$ 1,876,663	\$ 2,022,590
Net difference between projected and actual earnings on pension plan investments	892,430	3,856,309	4,748,739
Change in assumptions	722,244	-	722,244
Change in School District's proportionate share and difference in employer contributions	-	521,926	521,926
School District's contributions subsequent to the measurement date	<u>558,287</u>	<u>2,140,224</u>	<u>2,698,511</u>
Total Deferred Outflows of Resources	<u>\$ 2,318,888</u>	<u>\$ 8,395,122</u>	<u>\$ 10,714,010</u>

Deferred Inflows of Resources

Change in School District's proportionate share and difference in employer contributions	<u>\$ 84,499</u>	<u>\$ 261,760</u>	<u>\$ 346,259</u>
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\$2,698,511 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 408,935	\$ 950,929	\$ 1,359,864
2019	408,292	950,929	1,359,221
2020	602,338	2,430,706	3,033,044
2021	<u>256,537</u>	<u>1,660,574</u>	<u>1,917,111</u>
	<u>\$ 1,676,102</u>	<u>\$ 5,993,138</u>	<u>\$ 7,669,240</u>

7. PENSION PLANS—*continued*

Actuarial Assumptions - SERS

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

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

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

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

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the 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.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

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:

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

Discount Rate – Total pension liability was calculated using the discount rate of 7.50%. 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%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$14,324,017	\$10,819,253	\$7,885,620

7. PENSION PLANS—continued

Changes in Assumptions – The following changes in actuarial assumptions was made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females
- 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
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Actuarial Assumptions - STRS

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

Inflation	2.75%
Projected Salary Increases	2.75% at age 70 to 12.25% at age 20
Investment Rate of Return	7.75% net of investment expenses
COLA	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date.

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

Discount Rate – The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$61,723,658	\$46,446,525	\$33,559,363

7. PENSION PLANS—*continued*

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The School District's liability is 6.2% of wages paid.

8. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2017, this amount was \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2017, the School District's surcharge obligation was \$156,021.

None of the 14% employer contribution was allocated to the Health Care Fund for the fiscal years 2017 or 2016. The School District's contribution for health care for fiscal year June 30, 2015 was \$45,000.

8. POSTEMPLOYMENT BENEFITS—*continued*

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

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. STRS did not allocate a portion of employer contributions toward post-employment health care in the last three fiscal years.

9. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Non-certified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service while administrators receive twenty days of vacation per year. Accumulated, unused vacation time is paid to non-certified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and non-certified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 260 days for administrators and 188 days for teachers and classified staff. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

10. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 7/1/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities:					
Series 2007 GO Refunding Bonds:					
Serial and term bonds	\$ 5,040,000	\$ -	\$ (50,000)	\$ 4,990,000	\$ 50,000
Capital appreciation bonds	55,000	-	-	55,000	-
Bond accretion	292,888	81,160	-	374,048	-
Series 2009 School Improve. Bonds:					
Serial and term bonds	35,610,000	-	(1,655,000)	33,955,000	1,735,000
Unamortized premiums	651,527	-	(48,264)	603,263	-
Series 2013 GO Refunding Bonds:					
Serial bonds	920,000	-	(300,000)	620,000	305,000
Unamortized premiums	43,132	-	(22,776)	20,356	-
Series 2014 Certificates of Participation:					
Serial and term certificates	3,615,000	-	(125,000)	3,490,000	125,000
Unamortized premiums	17,757	-	(804)	16,953	-
Lease-purchase agreements	1,647,000	-	(130,000)	1,517,000	137,000
Compensated absences	1,899,057	433,042	(169,097)	2,163,002	172,773
Net pension liability:					
STRS	37,718,135	8,728,390	-	46,446,525	-
SERS	8,628,925	2,190,328	-	10,819,253	-
Total	<u>\$96,138,421</u>	<u>\$11,432,920</u>	<u>\$ (2,500,941)</u>	<u>\$105,070,400</u>	<u>\$ 2,524,773</u>

General Obligation School Improvement Bonds – The School District issued \$5,470,000 in Series 2007 general obligation refunding bonds that refunded a portion of the Series 2004 bonds. The refunded bonds pay interest at rates ranging from 4.125% to 4.5% and will fully mature on December 1, 2030.

The School District issued \$46,049,699 in Series 2009 general obligation school improvement bonds for the purpose of construction of a new high school. This issuance includes \$35,610,000 in Building America Bonds that are eligible to receive subsidy payments from the federal government equal to 35% of the corresponding interest payments. The bonds pay interest at rates ranging from 4.625% to 6.5% and will fully mature on December 1, 2029.

The School District issued \$1,490,000 in Series 2013 general obligation refunding bonds that refunded a portion of the Series 2004 bonds. The refunded bonds pay interest at rates ranging from 3% to 3.5% and will fully mature on December 1, 2018.

Certificates of Participation – The School District issued \$3,820,000 in Series 2014 Certificates of Participation that will, in combination with additional funding from the School District and funding from the Ohio Classroom Facilities Assistance Program, finance construction of a new Kramer Elementary School. The certificates pay interest at rates ranging from 2% to 3.75% and will fully mature on June 1, 2038.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

10. LONG-TERM OBLIGATIONS—continued

Principal and interest requirements to retire the general obligations bonds and certificates of participation outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,215,000	\$ 2,310,791	\$ 4,525,791
2019	2,420,000	2,211,119	4,631,119
2020	2,170,000	2,100,351	4,270,351
2021	2,245,000	1,992,482	4,237,482
2022	2,845,000	1,862,063	4,707,063
2023-2027	16,555,000	6,759,618	23,314,618
2028-2032	13,400,000	1,558,998	14,958,998
2033-2037	1,030,000	161,816	1,191,816
2038	230,000	8,626	238,626
Total	<u>\$ 43,110,000</u>	<u>\$ 18,965,864</u>	<u>\$ 62,075,864</u>

Lease-purchase Agreement – During 2006, the Board authorized financing in the amount of \$2,593,000 for the construction of a new elementary school with a lease-purchase agreement through the Ohio Association of School Business Official’s Expanded Asset Pooled Financing Program. The future minimum payments for the lease-purchase agreement as of June 30, 2017 were as follows:

Fiscal Year Ending June 30,		
2018	\$	207,952
2019		208,152
2020		208,012
2021		208,511
2022		208,622
2023-2026		<u>838,108</u>
Total		1,879,357
Less amount representing interest		<u>(362,357)</u>
Present value of minimum lease payments	\$	<u>1,517,000</u>

All general obligation debt and certificates of participation are supported by the full faith and credit of the School District. Compensated absences will be paid primarily by the General Fund. The certificates of participation and lease-purchase agreement will be paid from the Permanent Improvement Fund.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

11. FUND BALANCES

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

Fund Balances	General Fund	Debt Service Fund	OSFC Project Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Inventory	\$ -	\$ -	\$ -	\$ 16,390	\$ 16,390
Prepaid items	214,614	-	-	1,216	215,830
<i>Total Nonspendable</i>	214,614	-	-	17,606	232,220
<i>Restricted for</i>					
Food Service Operations	-	-	-	139,390	139,390
Scholarships	-	-	-	166,696	166,696
Classroom Maintenance	-	-	-	1,286,710	1,286,710
Athletics	-	-	-	77,671	77,671
Other Purposes	-	-	-	53,621	53,621
Debt Service Payments	-	3,709,497	-	-	3,709,497
Capital Improvements	-	-	339,191	3,442,823	3,782,014
<i>Total Restricted</i>	-	3,709,497	339,191	5,166,911	9,215,599
<i>Assigned to</i>					
Public School Support	249,127	-	-	-	249,127
Purchases on Order	126,805	-	-	-	126,805
Budgetary Resource	817,794	-	-	-	817,794
<i>Total Assigned</i>	1,193,726	-	-	-	1,193,726
<i>Unassigned</i>	23,868,001	-	-	(145,308)	23,722,693
<i>Total Fund Balance</i>	<u>\$ 25,276,341</u>	<u>\$ 3,709,497</u>	<u>\$ 339,191</u>	<u>\$ 5,039,209</u>	<u>\$ 34,364,238</u>

12. FUND BALANCE DEFICITS

At June 30, 2017, the following funds had a deficit fund balance:

Other Governmental Funds:	
IDEA, Part B Fund	\$ 77,029
Title I Grant Fund	52,162
Supporting Effective Instruction Grant Fund	16,117

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

13. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA) 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 districts. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

14. INSURANCE PURCHASING POOLS

Butler Health Plan

The School District participates in the Butler Health Plan (BHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BHP at 400 North Erie Boulevard, Suite B, Hamilton, OH 45011.

Ohio School Plan

The Ohio School Plan (OSP) is an insurance purchasing pool among school districts in Ohio formed for the purpose of establishing a group primary and excess insurance/self-insurance and risk management program. Members agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by OSP. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The affairs of the corporation are managed by a 13-member Board of Directors made up of school administrators. The School District does not have an equity interest in OSP.

14. INSURANCE PURCHASING POOLS—*continued*

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

15. CONTINGENCIES

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

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

Litigation

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

16. REQUIRED SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end.

The following cash basis information describes the change in the year-end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2016	\$ -	\$ 340,431
Bureau of Workers' Compensation rebate		-
Current year set-aside requirement	530,427	-
Current year qualifying expenditures	(907,349)	-
Excess qualified expenditures from prior years	-	-
Total	<u>\$ (376,922)</u>	<u>\$ 340,431</u>
Set-aside reserve balance as of June 30, 2017	<u>\$ -</u>	<u>\$ 340,431</u>

The Ohio General Assembly eliminated the requirement for the budget stabilization reserve and effective April 10, 2001, the Board of Education could choose to eliminate the reserve with the exception of rebates received from the Bureau of Workers Compensation. The School District chose not to reduce its budget stabilization reserve.

17. COMMITMENTS

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2017, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$ 245,841
OSFC Fund	261,939
Other Governmental Funds	<u>142,376</u>
	<u>\$ 650,156</u>

18. SUBSEQUENT EVENT

In November 2017, the School District issued \$4,530,000 in Series 2017 refunding bonds to partially refund the Series 2007 refunding bonds. The bonds bear interest rates ranging from 1.75% to 4.00% and mature on December 1, 2030.

Required Supplementary Information

TALAWANDA SCHOOL DISTRICT, OHIO

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$21,135,966	\$ 22,240,403	\$ 22,045,165	\$ (195,238)
Tuition and fees	1,468,290	1,545,014	1,531,451	(13,563)
Interest	261,467	275,129	272,714	(2,415)
Intergovernmental	9,409,231	9,900,900	9,813,985	(86,915)
Other local revenues	377,306	397,021	393,536	(3,485)
Total revenues	<u>32,652,260</u>	<u>34,358,467</u>	<u>34,056,851</u>	<u>(301,616)</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,175,900	15,373,725	15,343,016	30,709
Special education	3,213,521	3,365,336	3,358,614	6,722
Other instruction	1,829,445	1,474,293	1,471,348	2,945
Support services:				
Pupil	1,894,356	1,869,016	1,865,283	3,733
Instructional staff	1,063,309	1,051,115	1,049,015	2,100
Board of Education	67,762	55,872	55,760	112
Administration	2,385,330	2,277,073	2,272,525	4,548
Fiscal	1,277,966	1,348,503	1,345,809	2,694
Business	12,000	5,810	5,798	12
Operation and maintenance of plant	3,063,378	2,924,228	2,918,387	5,841
Pupil transportation	2,131,053	2,801,387	2,795,791	5,596
Central	235,834	240,016	239,537	479
Non-instructional services:				
Community services	163	13,150	13,124	26
Extracurricular activities	717,595	744,280	742,793	1,487
Capital outlay	-	23,288	23,242	46
Total expenditures	<u>33,067,612</u>	<u>33,567,092</u>	<u>33,500,042</u>	<u>67,050</u>
Excess of revenues over (under) expenditures	(415,352)	791,375	556,809	(234,566)
Other financing sources (uses):				
Other financing sources	-	-	290,614	290,614
Other financing uses	(40,180)	-	-	-
Total other financing sources (uses)	<u>(40,180)</u>	<u>-</u>	<u>290,614</u>	<u>290,614</u>
Net change in fund balance	(455,532)	791,375	847,423	\$ 56,048
Fund balance, beginning of year	24,197,809	24,197,809	24,197,809	
Prior year encumbrances appropriated	191,886	191,886	191,886	
Fund balance, end of year	<u>\$23,934,163</u>	<u>\$ 25,181,070</u>	<u>\$ 25,237,118</u>	

See accompanying notes to required supplementary information.

TALAWANDA SCHOOL DISTRICT, OHIO

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Four Measurement Periods (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.1478%	0.1512%	0.1514%	0.1514%
School District's Proportionate Share of the Net Pension Liability	\$ 10,819,253	\$ 8,628,925	\$ 7,664,090	\$ 9,005,413
School District's Covered Payroll	\$ 3,999,657	\$ 4,179,795	\$ 3,832,496	\$ 3,873,692
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	270.50%	206.44%	199.98%	232.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

Note: Amounts presented as of the School District's measurement date, which is the prior fiscal year.

See accompanying notes to required supplementary information.

TALAWANDA SCHOOL DISTRICT, OHIO

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Four Measurement Periods (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.1388%	0.1365%	0.1383%	0.1383%
School District's Proportionate Share of the Net Pension Liability	\$ 46,446,525	\$ 37,718,135	\$ 33,632,095	\$ 40,062,332
School District's Covered Payroll	\$ 14,325,314	\$ 13,504,343	\$ 15,214,115	\$ 16,385,915
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	324.23%	279.30%	221.06%	244.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.78%	72.09%	74.70%	69.30%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

Note: Amounts presented as of the School District's measurement date, which is the prior fiscal year.

TALAWANDA SCHOOL DISTRICT, OHIO

Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 558,287	\$ 559,952	\$ 550,897	\$ 531,184	\$ 536,119
Contributions in Relation to the Contractually Required Contributions	<u>(558,287)</u>	<u>(559,952)</u>	<u>(550,897)</u>	<u>(531,184)</u>	<u>(536,119)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,987,764	\$ 3,999,657	\$ 4,179,795	\$ 3,832,496	\$ 3,873,692
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

See accompanying notes to required supplementary information.

TALAWANDA SCHOOL DISTRICT, OHIO

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 2,140,224	\$ 2,005,544	\$ 1,890,608	\$ 1,977,835	\$ 2,130,169
Contributions in Relation to the Contractually Required Contributions	<u>(2,140,224)</u>	<u>(2,005,544)</u>	<u>(1,890,608)</u>	<u>(1,977,835)</u>	<u>(2,130,169)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$15,287,314	\$14,325,314	\$13,504,343	\$15,214,115	\$16,385,915
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information

Year Ended June 30, 2017

Note A - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary schedules reflect the amounts in the final amended certificate issued during the fiscal year.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures, which appear in the schedules of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. The Board passed supplemental appropriations during the fiscal year.

TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information - continued
Year Ended June 30, 2017

Note A - Budgetary Process - continued

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as an assignment of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as expenditures when liquidated (GAAP basis).

TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information - continued
Year Ended June 30, 2017

Note A - Budgetary Process - continued

The following table summarizes the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 439,002
Increase / (decrease):	
Due to inclusion of Uniform School Supply Fund	(22,349)
Due to inclusion of Public School Support Fund	2,356
Due to revenues	227,754
Due to expenditures	155,887
Due to other sources (uses)	290,614
Due to encumbrances	<u>(245,841)</u>
Net change in fund balance - Budget Basis	\$ <u>847,423</u>

Note B - SERS Change in Assumptions

Amounts reported in June 30, 2017 reflect the following adjustments:

- Discount rate was reduced from 7.75% to 7.50%;
- Assumed rate of inflation was reduced from 3.25% to 3.00%;
- Payroll growth assumption was reduced from 4.00% to 3.50%;
- Assumed real wage growth was reduced from 0.75% to 0.50%;
- Rates of withdrawal, retirement and disability were updated to reflect recent experience;
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females;
- 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;
- Mortality among disabled members was updated to the following:
 - RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

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Talawanda City School District



Single Audit Reports

June 30, 2017

**TALAWANDA SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grant Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$123,071	\$0
National School Lunch Program	3L60	10.555	415,969	70,247
Total Child Nutrition Cluster			<u>539,040</u>	<u>70,247</u>
Team Nutrition Grant	3GF0	10.574	5,496	0
Total U.S. Department of Agriculture			<u>544,536</u>	<u>70,247</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	584,450	0
Special Education-Preschool Grants	3C50	84.173	8,703	0
Total Special Education Cluster			<u>593,153</u>	<u>0</u>
Title I Grants to Local Educational Agencies	3M00	84.010	361,053	0
Improving Teacher Quality State Grants	3Y60	84.367	105,085	0
Total Department of Education			<u>1,059,291</u>	<u>0</u>
Total Federal Assistance			<u>\$1,603,827</u>	<u>\$70,247</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared using the cash basis of accounting. The information in this schedule is presented 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). The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Board of Education
Talawanda City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talawanda City School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 20, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Talawanda City School District

Report on Compliance for Each Major Federal Program

We have audited the Talawanda City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 20, 2017

**TALAWANDA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Title I Grants to Local Educational Agencies CFDA #84.010

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

**TALAWANDA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2017**

Summary of Prior Audit Findings:

None Noted



Dave Yost • Auditor of State

TALAWANDA SCHOOL DISTRICT

BUTLER 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 6, 2018