

# Talawanda City School District



## Basic Financial Statements

June 30, 2014

## 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### 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, 2014, 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.

## **Emphasis of Matters**

As described in Note 19 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information 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 30, 2014, 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 30, 2014

## TALAWANDA SCHOOL DISTRICT, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) Year Ended June 30, 2014

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, 2014. 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 2014 are listed below:

- ✓ The assets of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$53,877,562. Of this amount, \$24,079,293 may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net position increased by \$17,061,576.
- ✓ The School District had \$39,524,092 in expenses related to governmental activities; only \$3,890,053 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$52,695,615, 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 \$4,189,594 from \$20,887,645 at June 30, 2013 to \$25,077,239 at June 30, 2014.

#### 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.

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**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, liabilities and deferred inflows of resources, with the difference between the three 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.

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.

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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.

**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.

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**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, 2014 and 2013:

	<b>Governmental Activities</b>	
	<u><b>FY14</b></u>	<u><b>Restated FY13</b></u>
Current and other assets	\$ 67,370,188	\$ 52,955,240
Capital assets	<u>55,991,530</u>	<u>58,654,010</u>
Total assets	<u>123,361,718</u>	<u>111,609,250</u>
Long-term liabilities outstanding	50,071,823	52,052,583
Other liabilities	<u>4,180,075</u>	<u>4,174,007</u>
Total liabilities	<u>54,251,898</u>	<u>56,226,590</u>
Deferred inflows of resource	<u>15,232,258</u>	<u>18,566,674</u>
Net position:		
Net investment in capital assets	9,035,895	8,612,331
Restricted:		
For capital projects	15,152,487	3,822,465
For debt service	4,694,433	3,810,527
For other purposes	915,454	604,386
Unrestricted	<u>24,079,293</u>	<u>19,966,277</u>
Total net position	<u>\$ 53,877,562</u>	<u>\$ 36,815,986</u>

A large portion of the School District's net position (17%) 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. The balance of unrestricted net position (\$24,079,293) may be used to meet the government's ongoing obligations to citizens and creditors.

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Total assets increased by approximately \$11.8 million, or 11%. The majority of this increase was attributable to the recognition of \$11.5 million in receivables from the state for their share of the Ohio School Facilities Commission projects, offset by the sale of the old high school building. Total liabilities decreased by approximately \$2 million, or 4%. The majority of this decrease took place in long-term liabilities, as the School District continued to make its scheduled bond payments.

**B. Governmental Activities during fiscal year 2014**

The following table presents a condensed summary of the School District's activities during fiscal year 2014 and 2013 and the resulting change in net position:

	<u>FY14</u>	<u>Restated FY13</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 2,042,339	\$ 2,064,070
Operating grants and contributions	1,847,714	1,986,843
Total program revenues	<u>3,890,053</u>	<u>4,050,913</u>
General revenues:		
Taxes	29,167,836	23,554,643
Grants and entitlements	22,607,250	10,876,100
Investment earnings	50,953	24,651
Miscellaneous	831,623	488,413
Gain on sale of assets	37,953	-
Total general revenues	<u>52,695,615</u>	<u>34,943,807</u>
<b>Total revenues</b>	<u>56,585,668</u>	<u>38,994,720</u>
<b>Expenses:</b>		
Instruction	22,381,069	20,471,531
Support services	12,457,126	13,856,272
Non-instructional services	947,139	968,939
Interest on long-term debt	2,533,944	2,668,600
Food services	1,204,814	1,231,210
<b>Total expenses</b>	<u>39,524,092</u>	<u>39,196,552</u>
Change in net position	17,061,576	(201,832)
Net position beginning of year	<u>36,815,986</u>	<u>37,017,818</u>
<b>Net position end of year</b>	<u>\$ 53,877,562</u>	<u>\$ 36,815,986</u>



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Of the total governmental activities revenues of \$56,585,668, \$3,890,053 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, \$29,167,836 (55%) comes from property and income taxes and \$22,607,250 (43%) 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 increased by approximately \$17.6 million, or 45%. \$11.5 million of this increase was due to the recognition of receivables from the state previously discussed. Another \$5.6 million was attributable to increases in property taxes, with increases in assessed property valuations and \$4.3 million in property taxes the County Auditor had available for advance as of June 30, 2014, compared to \$628,000 as of June 30, 2013. Total expenses increased by \$328,000, or less than 1%.

***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 \$22,381,069 but program revenue contributed to fund 11% of those costs. Thus, general revenues of \$19,867,745 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	\$22,381,069	\$ 2,513,324	11%	\$19,867,745
Support services	12,457,126	144,487	1%	12,312,639
Non-instructional services	947,139	160,489	17%	786,650
Food service	1,204,814	1,071,753	89%	133,061
Interest on long-term debt	<u>2,533,944</u>	-	0%	<u>2,533,944</u>
<b>Total</b>	<u>\$39,524,092</u>	<u>\$ 3,890,053</u>	<u>10%</u>	<u>\$35,634,039</u>

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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 \$60,446,579 (90%) of the total \$67,370,188 governmental funds' assets.

**General Fund.** Fund balance at June 30, 2014 was \$25,077,239, including \$23,750,134 of unassigned balance, which represents 75% of expenditures for fiscal year 2014. Overall, revenues exceeded expenditures by approximately \$4,190,000, higher than prior year increases, due to increased amounts of property taxes available for advance.

**Debt Service Fund.** The Debt Service Fund had a fund balance at June 30, 2014 of \$4,985,783, an increase of \$944,541 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 will begin in fiscal year 2015.

### 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. Revisions were made from the original budget to arrive at the final budget due to initial conservative estimates. Additionally, actual revenues were \$197,104 lower than the final budget revenue due to tuition and fees and other local revenue coming in lower estimated. Actual expenditures came in less than budgeted by \$774,300, or 2%, due to conservative budgeting.

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2014, the School District had \$55,991,530 invested in a broad range of capital assets, including land, buildings, equipment, and vehicles. See Note 5 to the financial statements for more detail.

**Governmental Activities  
 Capital Assets at Year-End  
 (Net of Depreciation)**

	<b>FY14</b>	<b>FY13</b>
Land	\$ 2,473,497	\$ 2,560,594
Construction in progress	-	2,547,767
Land improvements	278,955	492,448
Buildings and improvements	50,009,071	52,538,573
Furniture and equipment	3,221,122	501,516
Vehicles	8,885	13,112
Total	\$ 55,991,530	\$ 58,654,010

The School District completed work on additional phases of the master plan, including improvements on athletic dugouts and press boxes.

**Debt.** As of June 30, 2014, the School District had \$45,365,000 outstanding in general obligation school improvement bonds after making \$1,685,000 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 \$6.1 million in FY14. The School District continues working hard to maintain a positive general fund balance through the 2019 school year. In an attempt to identify alternative revenue, the Talawanda Board of Education implemented a policy to accept students from other school districts through open enrollment. Revenue from open enrollment totaled \$545,442 in FY14.

The School District began taking certain cost reduction measures beginning in fiscal year 2008 that continued through fiscal year 2014. These measures include attrition, increased class sizes and plan design changes for the School District's medical/dental plan consortium.

In November 2008, the School District passed a 4.7 mill G.O. Bond Issue to build a new High School. The projected 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 on budget.

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 would replace the School District's existing Kramer Elementary (at the same site), which will be razed when the new building is completed in August 2016. The projected cost of the new Kramer Elementary is \$16.4 million and the State will pay \$11.5 million (or 70%) of this cost based on credits the School District previously earned through the State's Expedited Local Partnership Program. The balance will be funded by the School District with \$3.82 million in Certificates of Participation (COPs), issued in August 2014, and proceeds from disposition of its old high school site to Miami University.

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.

## **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, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 32,489,003
Receivables:	
Taxes	22,792,024
Accounts	2,499
Intergovernmental	11,628,502
Interest	1,958
Supplies inventory	15,887
Prepays	99,884
Restricted assets	340,431
Nondepreciable capital assets	2,473,497
Depreciable capital assets, net	<u>53,518,033</u>
<b>Total assets</b>	<u>123,361,718</u>
<b>Liabilities:</b>	
Accounts payable	276,627
Accrued wages and benefits	3,169,620
Pension obligation payable	528,678
Accrued interest payable	205,150
Noncurrent liabilities:	
Due within one year	2,092,844
Due within more than one year	<u>47,978,979</u>
<b>Total liabilities</b>	<u>54,251,898</u>
<b>Deferred Inflows of Resources:</b>	
Taxes levied for next fiscal year	<u>15,232,258</u>
<b>Net Position:</b>	
Net investment in capital assets	9,035,895
Restricted for:	
Capital projects	15,152,487
Debt service	4,694,433
Other purposes	915,454
Unrestricted	<u>24,079,293</u>
<b>Total net position</b>	<u>\$ 53,877,562</u>

See accompanying notes to the basic financial statements.

# TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Activities  
Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 17,067,950	\$ 1,459,771	\$ 177,267	\$ (15,430,912)
Special education	3,799,686	-	834,243	(2,965,443)
Other instruction	1,513,433	-	42,043	(1,471,390)
Support services:				
Pupil	1,758,695	-	26,661	(1,732,034)
Instructional staff	708,901	-	108,489	(600,412)
Board of Education	74,443	-	-	(74,443)
Administration	2,194,805	-	2,869	(2,191,936)
Fiscal	1,235,488	-	331	(1,235,157)
Business	12,542	-	-	(12,542)
Operation and maintenance of plant	3,479,605	-	-	(3,479,605)
Pupil transportation	2,761,392	-	6,137	(2,755,255)
Central	231,255	-	-	(231,255)
Non-instructional services:				
Extracurricular activities	911,973	106,336	-	(805,637)
Community service	35,166	-	54,153	18,987
Food service	1,204,814	476,232	595,521	(133,061)
Interest on long-term debt	2,533,944	-	-	(2,533,944)
<b>Total Governmental Activities</b>	<b>\$ 39,524,092</b>	<b>\$ 2,042,339</b>	<b>\$ 1,847,714</b>	<b>(35,634,039)</b>
<b>General Revenues:</b>				
Property taxes, levied for general purposes				17,563,273
Property taxes, levied for debt services				4,057,495
Property taxes, levied for capital projects				1,446,058
Income taxes				6,101,010
Grants and entitlements not restricted to specific programs				11,124,727
Grants provided for permanent improvement projects				11,482,523
Investment earnings				50,953
Miscellaneous				831,623
Gain on sale of assets				37,953
<b>Total general revenues</b>				<b>52,695,615</b>
Change in net position				17,061,576
Net position beginning of year, <i>restated</i>				36,815,986
<b>Net position end of year</b>				<b>\$ 53,877,562</b>

See accompanying notes to the basic financial statements.

# TALAWANDA SCHOOL DISTRICT, OHIO

Balance Sheet

Governmental Funds

June 30, 2014

	General	Debt Service Fund	OSFC Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments	\$ 22,727,983	\$ 4,262,648	\$ -	\$ 5,498,372	\$ 32,489,003
Restricted cash	340,431	-	-	-	340,431
Receivables:					
Taxes	17,945,042	3,575,096	-	1,271,886	22,792,024
Accounts	2,499	-	-	-	2,499
Accrued interest	1,958	-	-	-	1,958
Intergovernmental	8,515	-	11,482,523	137,464	11,628,502
Prepays	99,884	-	-	-	99,884
Supplies inventory	-	-	-	15,887	15,887
<b>Total assets</b>	<b>\$ 41,126,312</b>	<b>\$ 7,837,744</b>	<b>\$ 11,482,523</b>	<b>\$ 6,923,609</b>	<b>\$ 67,370,188</b>
<b>Liabilities:</b>					
Accounts payable	\$ 250,497	\$ -	\$ -	\$ 26,130	\$ 276,627
Accrued wages and benefits	2,931,302	-	-	238,318	3,169,620
Pension obligation payable	513,500	-	-	15,178	528,678
<b>Total liabilities</b>	<b>3,695,299</b>	<b>-</b>	<b>-</b>	<b>279,626</b>	<b>3,974,925</b>
<b>Deferred Inflows of Resources:</b>					
Taxes levied for next fiscal year	11,490,720	2,764,437	-	977,101	15,232,258
Unavailable revenue	863,054	87,524	11,482,523	100,235	12,533,336
<b>Total deferred inflows of resources</b>	<b>12,353,774</b>	<b>2,851,961</b>	<b>11,482,523</b>	<b>1,077,336</b>	<b>27,765,594</b>
<b>Fund Balances:</b>					
Nonspendable	99,884	-	-	15,887	115,771
Restricted	-	4,985,783	-	5,604,400	10,590,183
Assigned	1,227,221	-	-	-	1,227,221
Unassigned	23,750,134	-	-	(53,640)	23,696,494
<b>Total fund balances</b>	<b>25,077,239</b>	<b>4,985,783</b>	<b>-</b>	<b>5,566,647</b>	<b>35,629,669</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 41,126,312</b>	<b>\$ 7,837,744</b>	<b>\$ 11,482,523</b>	<b>\$ 6,923,609</b>	<b>\$ 67,370,188</b>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2014

<b>Total Governmental Fund Balances</b>		<b>\$ 35,629,669</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		55,991,530
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		12,533,336
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:</p>		
General obligation bonds	45,365,000	
Unamortized premiums	836,739	
Bond accretion	173,724	
Compensated absences	1,807,360	
Lease-purchase agreement	1,889,000	
Accrued interest payable	<u>205,150</u>	
Total		<u>(50,276,973)</u>
 Net Position of Governmental Activities		 <b>\$ <u>53,877,562</u></b>



# TALAWANDA SCHOOL DISTRICT, OHIO

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

Year Ended June 30, 2014

	General	Debt Service Fund	OSFC Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 23,835,814	\$ 4,086,115	\$ -	\$ 1,454,074	\$ 29,376,003
Tuition and fees	1,315,391	-	-	-	1,315,391
Interest	48,996	-	-	749	49,745
Charges for services	-	-	-	476,232	476,232
Intergovernmental	9,886,248	1,080,561	-	2,020,887	12,987,696
Other local revenues	833,013	-	-	249,326	1,082,339
<b>Total revenues</b>	<u>35,919,462</u>	<u>5,166,676</u>	<u>-</u>	<u>4,201,268</u>	<u>45,287,406</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	14,963,595	-	-	851,085	15,814,680
Special education	2,942,989	-	-	827,212	3,770,201
Other instruction	1,475,305	-	-	38,128	1,513,433
Support services:					
Pupil	1,694,826	-	-	57,448	1,752,274
Instructional staff	594,879	-	-	105,834	700,713
Board of Education	74,443	-	-	-	74,443
Administration	2,187,269	-	-	2,602	2,189,871
Fiscal	1,169,921	47,733	-	17,327	1,234,981
Business	12,542	-	-	-	12,542
Operation and maintenance of plant	2,988,947	-	-	38,831	3,027,778
Pupil transportation	2,756,824	-	-	5,918	2,762,742
Central	230,255	-	-	1,000	231,255
Non-instructional services:					
Extracurricular activities	617,581	-	-	333,635	951,216
Community service	20,492	-	-	31,253	51,745
Food service	-	-	-	1,131,257	1,131,257
Capital outlay	-	-	-	281,518	281,518
Debt Service:					
Principal	-	1,685,000	-	174,000	1,859,000
Interest and fiscal charges	-	2,489,402	-	104,467	2,593,869
<b>Total expenditures</b>	<u>31,729,868</u>	<u>4,222,135</u>	<u>-</u>	<u>4,001,515</u>	<u>39,953,518</u>
Excess of revenues over (under) expenditures	<u>4,189,594</u>	<u>944,541</u>	<u>-</u>	<u>199,753</u>	<u>5,333,888</u>
<b>Other financing sources:</b>					
Proceeds from sale of assets	-	-	-	1,150,000	1,150,000
Net change in fund balance	4,189,594	944,541	-	1,349,753	6,483,888
Fund balance, beginning of year	20,887,645	4,041,242	-	4,216,894	29,145,781
Fund balance, end of year	<u>\$ 25,077,239</u>	<u>\$ 4,985,783</u>	<u>\$ -</u>	<u>\$ 5,566,647</u>	<u>\$ 35,629,669</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, 2014

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>6,483,888</b>
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 outlay		562,779
Depreciation expense		(2,113,212)
Principal paid and refunding of long-term debt is recorded as expenditures in the governmental funds, but are recorded as a reduction of the long-term liability in the statement of net position.		
		1,859,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		11,249
Accretion on capital appreciation bonds is recorded each year as interest expense in the statement of activities.		
		(43,264)
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		60,934
Amortization of bond premiums		91,940
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		11,260,309
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.		
		<u>(1,112,047)</u>
Change in Net Position of Governmental Activities	<b>\$</b>	<b><u>17,061,576</u></b>

# TALAWANDA SCHOOL DISTRICT, OHIO

## Statement of Net Position

### Fiduciary Funds

June 30, 2014

	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
<b>Assets:</b>		
Equity in pooled cash and investments	<u>\$ 20,557</u>	<u>\$ 113,317</u>
Total assets	<u>20,557</u>	<u>113,317</u>
<b>Liabilities:</b>		
Due to student groups	-	93,296
Due to others	<u>413</u>	<u>20,021</u>
Total liabilities	<u>413</u>	<u>\$ 113,317</u>
<b>Net Position:</b>		
Held in trust	<u>\$ 20,144</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, 2014

	<u>Private- Purpose Trusts</u>
<b>Additions:</b>	
Contributions	<u>\$ 13,500</u>
Total additions	<u>13,500</u>
<b>Deductions:</b>	
Community gifts, awards and scholarships	<u>7,729</u>
Total deductions	<u>7,729</u>
 Change in net position	 5,771
 Net position, beginning of year	 <u>14,373</u>
Net position, end of year	<u><u>\$ 20,144</u></u>

See accompanying notes to the basic financial statements.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**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.

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.

**OSFC Project Fund** – The Ohio School Facilities Commission Project fund accounts for the accumulation of 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.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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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.

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 as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Receivables for property taxes represent amounts that are measurable as of June 30, 2014, but are intended to finance 2015 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).



**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**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 2014, the School District's investments were limited to US Treasury notes, US money market funds, US Agency securities 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 STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", 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, 2014 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 fair 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, 2014**

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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.

**K. 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.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**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.

**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.

**L. Restricted Assets**

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

**M. Net Position**

Net position represents the difference between assets, 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.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**N. 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.

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;

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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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.

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, \$25,219,529 of the School District's bank balance of \$25,469,529 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.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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Investments

The School District's investments at June 30, 2014 are summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
STAR Ohio	\$ 187,528	n/a	2.32%
U.S. Money Market Funds	4,627	n/a	0.06%
FFC	274,863	0.93	3.40%
FHLB	1,850,880	0.72	22.91%
FNMA	1,699,959	1.04	21.05%
FHLMC	551,582	1.46	6.83%
U.S. Treasuries	<u>3,508,108</u>	1.93	<u>43.43%</u>
	<u>\$ 8,077,547</u>		<u>100.00%</u>

*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 FFC, FHLB, FNMA and FHLMC were rated AA+ by Standard & Poor's and Aaa by Moody'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.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**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.

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, 2014. 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, 2014, were \$3,307,229 in the General Fund, \$723,135 in the Debt Service Fund, and \$262,958 in the Other Governmental Funds.

The assessed values upon which fiscal year 2014 taxes were collected are:

	<u>2013 Second- Half Collections</u>		<u>2014 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 630,253,300	93.16%	630,547,920	92.77%
Public Utility Property	<u>46,264,120</u>	6.84%	<u>49,117,080</u>	7.23%
Total Assessed Value	\$ <u>676,517,420</u>	100.00%	<u>679,665,000</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$56.13		\$55.80

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

**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, 2014, the School District recorded income tax revenue of \$6,101,010 in the entity-wide financials and a receivable as of June 30, 2014 of \$2,647,199.

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
<b>Governmental Activities</b>				
<b>Nondepreciable:</b>				
Land	\$ 2,560,594	\$ -	\$ (87,097)	\$ 2,473,497
Construction in progress	2,547,767	-	(2,547,767)	-
	<u>5,108,361</u>	<u>-</u>	<u>(2,634,864)</u>	<u>2,473,497</u>
<b>Depreciable:</b>				
Land improvements	2,218,203	-	(361,704)	1,856,499
Buildings and improvements	74,281,443	-	(7,677,257)	66,604,186
Vehicles	479,811	-	-	479,811
Equipment and furniture	8,100,820	3,110,546	-	11,211,366
Educational media	1,253,844	-	-	1,253,844
Subtotal	<u>86,334,121</u>	<u>3,110,546</u>	<u>(8,038,961)</u>	<u>81,405,706</u>
Totals at historical cost	<u>91,442,482</u>	<u>3,110,546</u>	<u>(10,673,825)</u>	<u>83,879,203</u>
Less accumulated depreciation:				
Land improvements	1,725,755	78,759	(226,970)	1,577,544
Buildings and improvements	21,742,870	1,639,286	(6,787,041)	16,595,115
Vehicles	466,699	4,227	-	470,926
Equipment and furniture	7,599,304	390,940	-	7,990,244
Educational media	1,253,844	-	-	1,253,844
Total accumulated depreciation	<u>32,788,472</u>	<u>2,113,212</u>	<u>(7,014,011)</u>	<u>27,887,673</u>
Capital assets, net	<u>\$ 58,654,010</u>	<u>\$ 997,334</u>	<u>\$ (3,659,814)</u>	<u>\$ 55,991,530</u>



**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,640,499
Special education	29,485
Support services:	
Pupil	15,451
Instructional staff	9,645
Administration	8,965
Fiscal	2,812
Operation and maintenance of plant	270,538
Pupil transportation	7,515
Community service	3,318
Extracurricular activities	51,427
Food service	<u>73,557</u>
Total depreciation expense	\$ <u>2,113,212</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 2014, 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**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$479,000, \$469,000, and \$480,000, respectively; 85% has been contributed for 2014 and 100% for fiscal years 2013 and 2012.

**State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service credit over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Under the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursements of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouse and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Plan members are required to contribute 11% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. The School District's required contributions to STRS Ohio for the years ended June 30, 2014, 2013, and 2012 were approximately \$2,024,000, \$2,056,000, and \$2,159,000, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. The unpaid contribution for fiscal year 2014 is recorded as a liability within the respective funds.

### 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

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012 were approximately \$145,000, \$147,000, and \$154,000, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

SERS administers two postemployment benefit plans:

*Medicare Part B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocated a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The School District contributions for the years ended June 30, 2014, 2013, and 2012 were approximately \$26,000, \$25,000, and \$26,000, respectively; 85% has been contributed for 2014 and 100% for fiscal years 2013 and 2012.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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*Health Care Plan* - ORC 3309.375 and 3309.69 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 HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

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 benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate was the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$5,000, \$5,000, and \$19,000, respectively; 85% has been contributed for 2014 and 100% for fiscal years 2013 and 2012.

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.

## **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, 2014**

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 7/1/13	Additions	Reductions	Principal Outstanding 6/30/14	Amounts Due in One Year
<b>Governmental Activities:</b>					
Series 2004 GO School Improve. Bonds:					
Serial and term bonds	\$ 265,000	\$ -	\$ (265,000)	\$ -	\$ -
Unamortized premiums	20,900	-	(20,900)	-	-
Series 2007 GO Refunding Bonds:					
Serial and term bonds	5,190,000	-	(50,000)	5,140,000	50,000
Capital appreciation bonds	55,000	-	-	55,000	-
Bond accretion	130,460	43,264	-	173,724	-
Series 2009 School Improve. Bonds:					
Serial and term bonds	40,050,000	-	(1,370,000)	38,680,000	1,435,000
Unamortized premiums	796,319	-	(48,264)	748,055	-
Series 2013 GO Refunding Bonds:					
Serial bonds	1,490,000	-	-	1,490,000	280,000
Unamortized premiums	111,460	-	(22,776)	88,684	-
Lease-purchase agreements	2,063,000	-	(174,000)	1,889,000	118,000
Compensated absences	1,880,444	158,893	(231,977)	1,807,360	209,844
<b>Total</b>	<b><u>\$52,052,583</u></b>	<b><u>\$ 202,157</u></b>	<b><u>\$ (2,182,917)</u></b>	<b><u>\$50,071,823</u></b>	<b><u>\$ 2,092,844</u></b>

*General Obligation School Improvement Bonds* - The School District issued \$9,214,680 in Series 2004 general obligation bonds for the purpose of school improvements. The final payment was made in December 2013.

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% 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 1.5% 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.

All of the bonds will be retired from the Debt Service Fund.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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Principal and interest requirements to retire the general obligations bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,765,000	\$ 2,432,089	\$ 4,197,089
2016	1,975,000	2,359,589	4,334,589
2017	2,005,000	2,279,985	4,284,985
2018	2,090,000	2,192,628	4,282,628
2019	2,295,000	2,095,456	4,390,456
2020-2024	12,675,000	8,677,145	21,352,145
2025-2029	17,270,000	4,306,922	21,576,922
2030-2031	5,290,000	169,538	5,459,538
Total	<u>\$ 45,365,000</u>	<u>\$ 24,513,352</u>	<u>\$ 69,878,352</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, 2014 were as follows:

Fiscal Year Ending June 30,		
2015	\$	207,416
2016		207,559
2017		207,412
2018		207,952
2019		208,152
2020-2024		1,044,056
2025-2026		<u>419,197</u>
Total		2,501,744
Less amount representing interest		<u>(612,744)</u>
Present value of minimum lease payments	\$	<u>1,889,000</u>

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid primarily by the General Fund. The 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, 2014**

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**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	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>				
Inventory	\$ -	\$ -	\$ 15,887	\$ 15,887
Prepays	99,884	-	-	99,884
<i>Total Nonspendable</i>	99,884	-	15,887	115,771
<b><i>Restricted for</i></b>				
Food Service Operations	-	-	249,782	249,782
Scholarships	-	-	126,154	126,154
Classroom Maintenance	-	-	337,351	337,351
Athletics	-	-	65,607	65,607
Other Purposes	-	-	52,265	52,265
Debt Service Payments	-	4,985,783	-	4,985,783
Capital Improvements	-	-	4,773,241	4,773,241
<i>Total Restricted</i>	-	4,985,783	5,604,400	10,590,183
<b><i>Assigned to</i></b>				
Public School Support	176,879	-	-	176,879
Purchases on Order	698,127	-	-	698,127
Budgetary Resource	352,215	-	-	352,215
<i>Total Assigned</i>	1,227,221	-	-	1,227,221
<b><i>Unassigned (Deficit)</i></b>	<b>23,750,134</b>	<b>-</b>	<b>(53,640)</b>	<b>23,696,494</b>
<b><i>Total Fund Balance</i></b>	<b>\$ 25,077,239</b>	<b>\$ 4,985,783</b>	<b>\$ 5,566,647</b>	<b>\$ 35,629,669</b>



**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**12. FUND BALANCE DEFICITS**

At June 30, 2014, the following funds had a deficit fund balance:

Other Governmental Funds:		
IDEA, Part B Fund	\$	21,222
Title I Grant Fund		17,936
Improving Teacher Quality Grant Fund		14,482

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.

##### *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, 2014, if applicable, cannot be determined at this time.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**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.

**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, 2013, <i>restated</i>	\$ -	\$ 277,734
Bureau of Workers' Compensation rebate		62,697
Current year set-aside requirement	520,860	-
Current year qualifying expenditures	(633,668)	-
Excess qualified expenditures from prior years	-	-
Total	<u>\$ (112,808)</u>	<u>\$ 340,431</u>
Set-aside reserve balance as of June 30, 2014	<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, 2014, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$ 811,579
Other Governmental Funds	<u>269,758</u>
	<u>\$ 1,081,337</u>

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**18. SUBSEQUENT EVENT**

In August 2014, the School District issued \$3,820,000 in certificates of participation, which mature on June 1, 2038, to finance the locally funded portion of the new Kramer Elementary project. Under the School District's Project Facilities Master Plan with the State of Ohio Classroom Facilities Assistance Program, project costs will be shared by the School District (70%) and the State of Ohio (30%).

**19. CHANGE IN ACCOUNTING PRINCIPLES**

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues). GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. GASB Statement No. 70 provides consistent reporting and disclosure requirements by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees.

The implementation of GASB Statements No. 66 and No. 70 did not have an effect on the financial statements of the School District. The implementation of GASB Statement No. 65 had the following effect on beginning net position in the government-wide financial statements:

	<u>Governmental Activities</u>
Net position at June 30, 2013	\$ 37,401,011
Recognition of bond issue costs as outflows	<u>(585,025)</u>
Restated net position at June 30, 2013	<u>\$ 36,815,986</u>

In addition, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the School District until fiscal year 2015. Management has not yet determined the impact this new standard will have on the School District's financial statements.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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## 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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	\$ 19,943,506	\$ 20,805,817	\$ 20,805,817	\$ -
Tuition and fees	1,233,000	1,431,776	1,313,568	(118,208)
Interest	21,928	54,551	54,551	-
Intergovernmental	9,566,316	9,886,415	9,886,415	-
Other local revenues	<u>212,655</u>	<u>535,576</u>	<u>456,680</u>	<u>(78,896)</u>
<b>Total revenues</b>	<u>30,977,405</u>	<u>32,714,135</u>	<u>32,517,031</u>	<u>(197,104)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	14,032,643	15,523,026	15,214,187	308,839
Special education	2,193,752	2,773,251	2,815,881	(42,630)
Other instruction	1,242,727	1,391,692	1,466,918	(75,226)
Support services:				
Pupil	1,481,028	1,695,161	1,581,428	113,733
Instructional staff	2,271,081	1,015,754	856,181	159,573
Board of Education	38,302	37,398	66,621	(29,223)
Administration	2,191,199	2,286,731	2,233,050	53,681
Fiscal	1,236,253	1,223,430	1,159,640	63,790
Business	1,000	13,142	12,542	600
Operation and maintenance of plant	2,810,777	3,062,912	3,085,057	(22,145)
Pupil transportation	2,734,195	2,944,659	2,772,690	171,969
Central	234,370	244,282	233,200	11,082
Non-instructional services:				
Community services	57,364	57,364	20,492	36,872
Extracurricular activities	672,688	652,180	628,795	23,385
Capital outlay	<u>375,569</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>31,572,948</u>	<u>32,920,982</u>	<u>32,146,682</u>	<u>774,300</u>
Excess of revenues over (under) expenditures	(595,543)	(206,847)	370,349	577,196
<b>Other financing sources (uses):</b>				
Advances in	-	-	14,612	14,612
Other financing sources	<u>-</u>	<u>-</u>	<u>172,613</u>	<u>172,613</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>187,225</u>	<u>187,225</u>
Net change in fund balance	(595,543)	(206,847)	557,574	\$ 764,421
Fund balance, beginning of year	20,985,743	20,985,743	20,985,743	
Prior year encumbrances appropriated	<u>247,754</u>	<u>247,754</u>	<u>247,754</u>	
Fund balance, end of year	<u>\$ 20,637,954</u>	<u>\$ 21,026,650</u>	<u>\$ 21,791,071</u>	

See accompanying notes to required supplementary information.

## TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information

Year Ended June 30, 2014

### **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.

*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).

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	\$ 4,189,594
Increase / (decrease):	
Due to inclusion of Uniform School Supply Fund	8,954
Due to inclusion of Public School Support Fund	(27,321)
Due to revenues	(3,132,745)
Due to expenditures	143,446
Due to other sources (uses)	187,225
Due to encumbrances	<u>(811,579)</u>
Net change in fund balance - Budget Basis	\$ <u>557,574</u>