



Dave Yost • Auditor of State



**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Tecumseh Local School District  
Clark County  
9760 West National Road  
New Carlisle, Ohio 45344

To the Board of Education:

### ***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 Tecumseh Local School District, Clark County, Ohio (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 as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

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 Tecumseh Local School District, Clark County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 22 to the financial statements, there is an ongoing investigation involving a District Administrator and District expenditures. The outcome of this investigation is unknown at this time, but is not anticipated to have a material impact on the District's financial statements.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 24, 2015

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**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of Tecumseh Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net position for governmental activities decreased \$883,358 which represents a 1.5 percent decrease from 2013.
- General revenues accounted for \$27,871,686 in revenue or 83 percent of governmental revenues. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for \$5,541,622 or 17 percent of governmental revenues of \$33,413,308.
- The School District had \$34,296,666 in governmental expenses; only \$5,541,622 of these expenses was offset by program specific charges for services, grants or contributions. General revenues for governmental activities (primarily taxes and entitlements) of \$27,871,686 also contributed to these programs.
- Among major funds, the General Fund had \$27,533,561 in revenues and \$26,655,281 in expenditures. The General Fund's balance increased \$905,090 from 2013.

**Using this Generally Accepted Accounting Principles Report (GAAP)**

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Tecumseh Local School District, the General Fund is the most significant fund. The Bond Retirement Fund is also a major fund of the School District.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities where most of the School District's programs and services are reported including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

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

*Fund Financial Statements*

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

*Governmental Funds*

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

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

**Table 1  
Net Position**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2014</b>
<b>Assets</b>		
Current and Other Assets	\$16,994,791	\$17,782,913
Capital Assets	70,854,149	68,242,669
Total Assets	<u>87,848,940</u>	<u>86,025,582</u>
Deferred Outflows of Resources	<u>1,327,392</u>	<u>1,249,914</u>
<b>Liabilities:</b>		
Long-Term Liabilities	21,001,798	20,330,574
Other Liabilities	3,463,912	3,252,840
Total Liabilities	<u>24,465,710</u>	<u>23,583,414</u>
Deferred Inflows of Resources	<u>7,167,754</u>	<u>7,032,572</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	51,931,195	52,104,061
Restricted	5,037,773	5,382,598
Unrestricted	573,900	(827,149)
Total Net Position	<u>\$57,542,868</u>	<u>\$56,659,510</u>

The amount by which the School District's assets exceeded its liabilities is called net position. Total assets decreased as depreciation on capital assets was over capital acquisitions by \$2,611,480. Long-term liabilities decreased as no new debt was issued in fiscal year 2014 and the School District continued payments on its existing debt for the amount \$825,000. Accrued wages and benefits liability decreased as only one month of insurance payments was shown as a liability instead of two months in prior year.

Table 2 shows the changes in the net position for governmental activities for fiscal year 2013 and 2014.

**Table 2  
Change in Net Position**

	<b>2013</b>	<b>2014</b>	<b>Percent Change</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$2,420,593	\$2,360,811	-2.47%
Operating Grants and Contributions	3,447,704	3,180,811	-7.74%
Total Program Revenues	<u>5,868,297</u>	<u>5,541,622</u>	-5.57%
<b>General Revenues:</b>			
Property Taxes	9,238,114	9,271,259	0.36%
Grants and Entitlements Not Restricted	17,075,814	18,504,036	8.36%
All Other	117,326	96,391	-17.84%
Total General Revenues	<u>26,431,254</u>	<u>27,871,686</u>	5.45%
Total Revenues	<u>32,299,551</u>	<u>33,413,308</u>	3.45%

(Continued)

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Table 2  
Change in Net Position  
(Continued)**

	2013	2014	Percent Change
<b>Program Expenses:</b>			
Instruction	17,156,421	17,977,627	4.79%
<b>Support Services:</b>			
Pupils and Instructional Staff	3,394,804	2,672,116	-21.29%
Board of Education, Administration, Fiscal and Business	3,368,591	3,401,727	0.98%
Operation and Maintenance of Plant	3,693,360	3,164,764	-14.31%
Pupil Transportation	1,535,995	1,406,430	-8.44%
Central	162,085	78,072	-51.83%
Operation of Non-Instructional Services	1,717,702	1,598,612	-6.93%
Extracurricular Activities	610,718	587,183	-3.85%
Interest and Fiscal Charges and Issuance Costs	963,066	764,200	-20.65%
Unallocated Depreciation	2,670,062	2,645,935	-0.90%
Total Expenses	<u>35,272,804</u>	<u>34,296,666</u>	-2.77%
Increase (Decrease) in Net Position	<u>(\$2,973,253)</u>	<u>(\$883,358)</u>	-70.29%

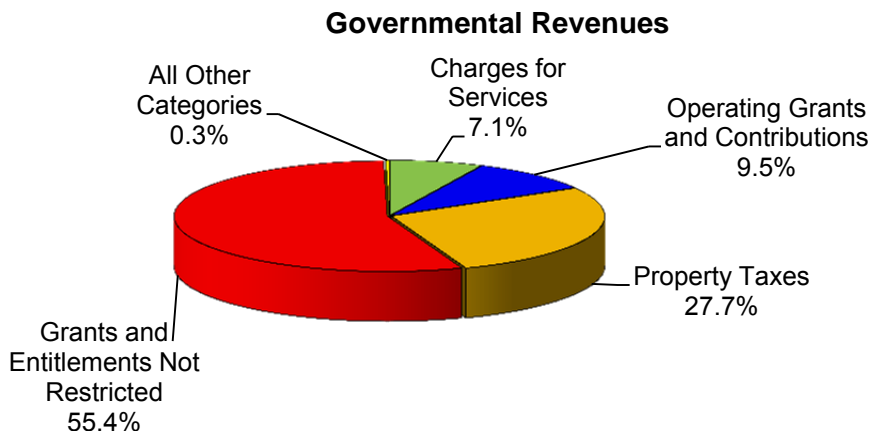
**Governmental Activities**

Operation and maintenance of plant decreased as energy conservation measures were undertaken during fiscal year 2013 but the project was not capitalized due to individual assets being below the capitalization threshold.

Pupils and Instructional staff decreased for fiscal year 2014 as aide positions are now recorded under instruction expenses.

Central expenses decreased as payments to MVECA were recorded with Instruction for fiscal year 2014.

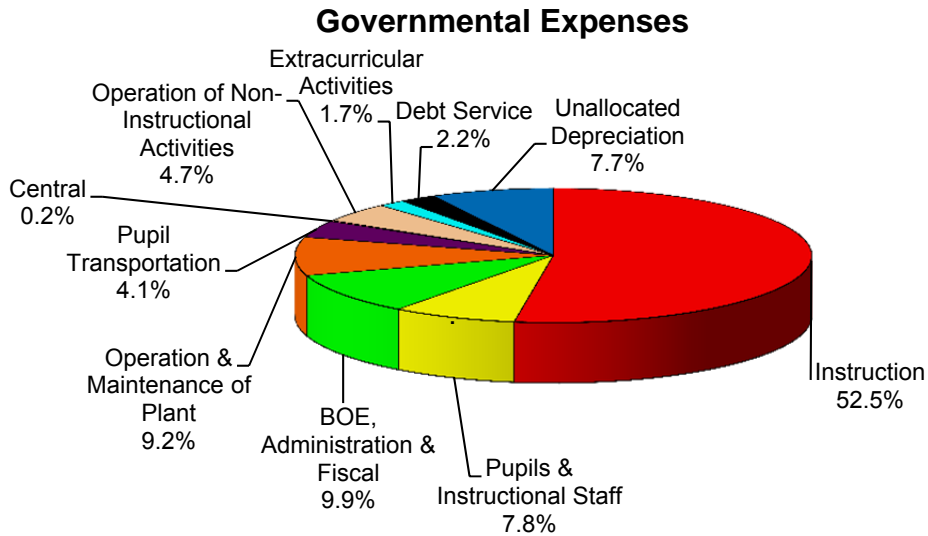
Interest and fiscal charges decreased for fiscal year 2014 as issuance costs of refunding bonds were incurred during fiscal year 2013.



**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a levy does not increase solely as a result of inflation. Property taxes made up 27.7% and 28.6% of revenues for governmental activities for the Tecumseh Local School District for fiscal year 2014 and 2013, respectively. The last operating levy approved by the voters in the School District occurred in 1995. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 55.4% and 52.9% of the School District's total revenue was received from unrestricted intergovernmental sources during fiscal year 2014 and 2013, respectively.



Instruction comprises 52.5 percent of district expenses. Support services expenses make up 31.2 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Governmental Activities**

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>
Instruction	\$17,156,421	(\$14,487,549)	\$17,977,627	(\$15,229,831)
<b>Support Services:</b>				
Pupils and Instructional Staff	3,394,804	(2,710,527)	2,672,116	(2,307,883)
Board of Education, Administration, Fiscal and Business	3,368,591	(3,019,779)	3,401,727	(3,032,898)
Operation and Maintenance of Plant	3,693,360	(3,650,498)	3,164,764	(3,105,332)
Pupil Transportation	1,535,995	(1,460,076)	1,406,430	(1,361,348)
Central	162,085	(162,085)	78,072	(78,072)
Operation of Non-Instructional Services	1,717,702	(11,744)	1,598,612	40,149
Extracurricular Activities	610,718	(269,121)	587,183	(269,694)
Interest and Fiscal Charges	963,066	(963,066)	764,200	(764,200)
Unallocated Depreciation	2,670,062	(2,670,062)	2,645,935	(2,645,935)
<b>Total Expenses</b>	<b>\$35,272,804</b>	<b>(\$29,404,507)</b>	<b>\$34,296,666</b>	<b>(\$28,755,044)</b>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities along with after-school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Approximately 84 percent of all activities are supported through taxes and other general revenues. The community along with State revenues, as a whole, is the primary support for the Tecumseh Local School District.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**The School District's Funds**

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$33,247,411 and expenditures of \$32,230,669. The net change in fund balance for the General Fund was a \$905,090 increase. Contributing to the increase was an increase in intergovernmental revenue of \$1,413,650 from state foundation monies.

The School District did not issue any new bonds during fiscal year 2014; the Bond Retirement fund balance increased \$57,747 for fiscal year 2014 as property tax revenues covered required debt service payments.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2014, the School District amended its General Fund budget which resulted in appropriation increases of \$1,096,830, primarily for advances out to other funds. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue estimate was \$27,397,174. The original budgeted estimate was \$26,276,108. The increase was primarily due to intergovernmental revenues.

**Capital Assets**

At the end of fiscal year 2014, the School District had \$68,242,669 invested in governmental land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

**Table 4**  
**Capital Assets (Net of Depreciation) at June 30,**

	<u>2013</u>	<u>2014</u>
Land	\$520,022	\$520,022
Land Improvements	38,366	61,366
Buildings and Improvements	85,336,434	85,336,434
Furniture and Equipment	2,652,876	2,666,459
Vehicles	2,709,036	2,820,200
Accumulated Depreciation	<u>(20,402,585)</u>	<u>(23,161,812)</u>
Totals	<u>\$70,854,149</u>	<u>\$68,242,669</u>

Overall capital assets decreased \$2,611,480 from fiscal year 2013 to fiscal year 2014. Depreciation expense exceeded capital asset additions resulting in the decrease. For more information on capital assets see Note 8 of the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Debt Administration**

At June 30, 2014, the School District had the following outstanding long-term debt:

	<b>Amount Outstanding 6/30/2013</b>	<b>Amount Outstanding 6/30/2014</b>
<b>Governmental Activities</b>		
General Obligation Bonds 2004	\$2,419,019	\$1,979,116
Refunding Bonds 2012	8,819,991	8,787,620
Refunding Bonds 2013	6,044,997	6,022,739
Total General Obligation Bonds	17,284,007	16,789,475
<b>Unamortized Premium on Bonds:</b>		
Refunding Bonds 2012	962,183	911,542
Refunding Bonds 2013	676,764	631,646
Total Unamortized Premiums on Bonds	\$1,638,947	\$1,543,188

For more information on the School District's debt, see Note 14 of the Basic Financial Statements.

**Current Financial Issues and Concerns**

Long-range financial projections indicate there is a need for additional operating revenue; therefore, the School District will ask the voters to approve an operating levy in the future. The School District has a three phase cost containment plan; phase I cuts were implemented in fiscal year 2006; phase II cuts were implemented in fiscal year 2007; phase III cuts will be implemented in the near future if the School District is unable to pass a new levy for additional revenue.

There was outstanding support from the local citizens and business community for the bond and maintenance levy in November 2003. The School District and the Ohio School Facilities Commission (Classroom Facilities Assistance Program) entered into an agreement pursuant to Ohio Revised Code Section 3318.30 in January 2004. The Ohio School Facilities Commission agreed to pay 77% of the building project. The building status is as follows: Donnelville Elementary and Medway Elementary are complete and were occupied at the beginning of fiscal year 2007; the new New Carlisle Elementary (formerly known as Westlake Elementary), the Park Layne Elementary and the new Tecumseh Middle School buildings are complete and were occupied in January 2007; Tecumseh High School was completed in fiscal year 2008. The close-out of the program occurred in fiscal year 2010.

On November 2, 2010, the voters of Tecumseh Local School District rejected a proposed 5 year, 1.5% earned income tax.

On May 3, 2011, the voters of Tecumseh Local School District rejected a proposed three year 6.61 mills property tax levy.

On November 8, 2011, the voters of the School District renewed a five-year 2.46 mill operating levy that generates approximately \$712,000 annually.

On November 6, 2012, the voters of the School District voted against an additional 8.95 mill operating levy.

On May 7, 2013 and August 6, 2013, the voters of the School District voted against an additional 12.37 mill operating levy.



**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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The board of education placed a 12.37 mill emergency levy again on the November 5, 2013, ballot to raise \$3,500,000. This levy also failed.

In May 2014, the voters of the School District approved a five year, 2.81 mill renewal levy anticipated to generate \$791,000 and a five year 4.67 mill renewal levy anticipated to generate \$1,351,000.

On November 4, 2014, the voters approved a renewal of a tax for the purpose of improvements, renovations, and additions, to school facilities, and providing equipment, furnishings, and site improvements at a rate of four (4.00) mills for each one dollar of valuation. The five year levy is anticipated to generate \$707,084 during the first year of collection.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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 Debra Schock, Treasurer at Tecumseh Local School District, 9760 West National Road, New Carlisle, OH 45344 or email [debra.schock@tecumseh.org](mailto:debra.schock@tecumseh.org).

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**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,830,699
Cash and Cash Equivalents in Segregated Accounts	4,500
Accounts Receivable	76,242
Intergovernmental Receivable	588,377
Inventory of Supplies and Materials	142,133
Property and Other Taxes Receivable	10,140,962
Depreciable Capital Assets, Net	67,722,647
Land	520,022
<b>Total Assets</b>	<b>86,025,582</b>
 <b>Deferred Outflows of Resources:</b>	
Deferred Charge on Refunding	1,249,914
 <b>Liabilities:</b>	
Accounts Payable	177,585
Accrued Wages and Benefits Payable	2,342,425
Intergovernmental Payable	494,225
Accrued Interest Payable	69,715
Matured Compensated Absences Payable	124,909
Vacation Leave Payable	43,981
<b>Long Term Liabilities:</b>	
Due Within One Year	987,620
Due In More Than One Year	17,799,766
Unamortized Premium on Bonds	1,543,188
<b>Total Liabilities</b>	<b>23,583,414</b>
 <b>Deferred Inflows of Resources:</b>	
Property Taxes not Levied to Finance Current Year Operations	7,032,572
 <b>Net Position:</b>	
Net Investment in Capital Assets	52,104,061
<b>Restricted for:</b>	
Debt Service	1,297,019
Capital Projects	1,275,221
Other Purposes	2,685,620
Set-asides	80,264
Non-expendable	2,410
Unclaimed Monies	42,064
Unrestricted	(827,149)
<b>Total Net Position</b>	<b>\$56,659,510</b>

*See Accompanying Notes to the Basic Financial Statements.*

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services and Sales	Operating Grants Contributions and Interest	Total Governmental Activities	
Expenses				
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$11,478,683	\$1,385,494	\$245,281	(\$9,847,908)
Special	4,625,663	19,686	1,003,647	(3,602,330)
Vocational	397,070	5,959	87,729	(303,382)
Student Intervention Services	489			(489)
Other	1,475,722			(1,475,722)
<b>Support Services:</b>				
Pupils	1,842,285		309,350	(1,532,935)
Instructional Staff	829,831	7,004	47,879	(774,948)
Board of Education	64,356			(64,356)
Administration	2,603,344	262	368,567	(2,234,515)
Fiscal	658,012			(658,012)
Business	76,015			(76,015)
Operation and Maintenance of Plant	3,164,764	48,632	10,800	(3,105,332)
Pupil Transportation	1,406,430	38,337	6,745	(1,361,348)
Central	78,072			(78,072)
Operation of Non-Instructional Services	1,598,612	548,952	1,089,809	40,149
Extracurricular Activities	587,183	306,485	11,004	(269,694)
Interest and Fiscal Charges	764,200			(764,200)
Depreciation - Unallocated	2,645,935			(2,645,935)
<b>Total</b>	<b>\$34,296,666</b>	<b>\$2,360,811</b>	<b>\$3,180,811</b>	<b>(28,755,044)</b>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes	7,480,475
Capital Outlay	587,609
Debt Service	1,092,682
Capital Maintenance	110,493
Grants and Entitlements not Restricted to Specific Programs	18,504,036
Gifts and Donations not Restricted to Specific Programs	5,040
Investment Earnings	5,657
Miscellaneous	85,694
<b>Total General Revenues</b>	<b>27,871,686</b>
 Change in Net Position	 (883,358)
 Net Position Beginning of Year	 <u>57,542,868</u>
 Net Position End of Year	 <u><u>\$56,659,510</u></u>

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,388,132	\$976,464	\$3,466,103	\$6,830,699
Cash and Cash Equivalents in Segregated Accounts			4,500	4,500
<b>Receivables:</b>				
Property and Other Taxes	8,187,866	1,171,575	781,521	10,140,962
Accounts	70,926		5,316	76,242
Intergovernmental	26,389		561,988	588,377
Interfund	22,178			22,178
Inventory of Supplies and Materials	124,100		18,033	142,133
Total Assets	<u>10,819,591</u>	<u>2,148,039</u>	<u>4,837,461</u>	<u>17,805,091</u>
<b>Liabilities:</b>				
Accounts Payable	163,763		13,822	177,585
Matured Compensated Absences Payable	122,604		2,305	124,909
Accrued Wages and Benefits Payable	2,098,011		244,414	2,342,425
Intergovernmental Payable	455,241		38,984	494,225
Interfund Payable			22,178	22,178
Total Liabilities	<u>2,839,619</u>		<u>321,703</u>	<u>3,161,322</u>
<b>Deferred Inflows of Resources:</b>				
Property Taxes not Levied to Finance Current Year Operations	5,692,280	861,020	479,272	7,032,572
Unavailable Revenue	552,622	65,427	617,690	1,235,739
Total Deferred Inflows of Resources	<u>6,244,902</u>	<u>926,447</u>	<u>1,096,962</u>	<u>8,268,311</u>
<b>Fund Balances:</b>				
Non-spendable	166,164		20,033	186,197
Restricted		1,221,592	3,637,016	4,858,608
Assigned	1,014,714			1,014,714
Unassigned	554,192		(238,253)	315,939
Total Fund Balances	<u>1,735,070</u>	<u>1,221,592</u>	<u>3,418,796</u>	<u>6,375,458</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$10,819,591</u>	<u>\$2,148,039</u>	<u>\$4,837,461</u>	<u>\$17,805,091</u>

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

Total Governmental Fund Balances	\$6,375,458
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$520,022	
Land Improvements	61,366	
Building and Improvements	85,336,434	
Furniture and Equipment	2,666,459	
Vehicles	2,820,200	
Accumulated Depreciation	<u>(23,161,812)</u>	68,242,669
Total Capital Assets		

Some assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Deferred Charge on Refunding	1,249,914
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property Taxes Receivable	657,561	
Intergovernmental Receivable	<u>578,178</u>	1,235,739

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable	(16,789,475)	
Unamortized Premium on Bonds	(1,543,188)	
Accrued Interest Payable	(69,715)	
Vacation Leave Payable	(43,981)	
Compensated Absences Payable	<u>(1,997,911)</u>	<u>(20,444,270)</u>

Net Position of Governmental Activities	<u><u>\$56,659,510</u></u>
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*See Accompanying Notes to the Basic Financial Statements.*

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property and Other Taxes	\$7,477,017	\$1,093,841	\$698,217	\$9,269,075
Intergovernmental	18,303,614	229,356	3,005,675	21,538,645
Interest	4,667		2,052	6,719
Tuition and Fees	1,505,155			1,505,155
Rent	25,217			25,217
Extracurricular Activities	26,132		195,786	221,918
Gifts and Donations	26,248		11,827	38,075
Charges for Services	89,136		462,826	551,962
Miscellaneous	76,375		14,270	90,645
Total Revenues	<u>27,533,561</u>	<u>1,323,197</u>	<u>4,390,653</u>	<u>33,247,411</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	11,006,247		505,444	11,511,691
Special	3,638,917		998,898	4,637,815
Vocational	409,523		6,661	416,184
Student Intervention Services	115		374	489
Other	1,475,722			1,475,722
<b>Support Services:</b>				
Pupils	1,551,151		300,725	1,851,876
Instructional Staff	766,411		62,441	828,852
Board of Education	64,356			64,356
Administration	2,292,781		295,863	2,588,644
Fiscal	605,742	22,161	13,903	641,806
Business	76,015			76,015
Operation and Maintenance of Plant	2,888,947		190,003	3,078,950
Pupil Transportation	1,295,077		164,741	1,459,818
Central	78,072			78,072
Operation of Non-Instructional Services	112,123		1,497,391	1,609,514
Extracurricular Activities	391,692		194,699	586,391
Capital Outlay	2,390		78,795	81,185
<b>Debt Service:</b>				
Principal Retirement		825,000		825,000
Interest and Fiscal Charges		418,289		418,289
Total Expenditures	<u>26,655,281</u>	<u>1,265,450</u>	<u>4,309,938</u>	<u>32,230,669</u>
Excess of Revenues Over (Under) Expenditures	<u>878,280</u>	<u>57,747</u>	<u>80,715</u>	<u>1,016,742</u>
<b>Other Financing Sources (Uses):</b>				
Insurance Recoveries	26,810			26,810
Other Financing Sources (Uses)	26,810			26,810
Net Change in Fund Balances	905,090	57,747	80,715	1,043,552
Fund Balances at Beginning Of Year	<u>829,980</u>	<u>1,163,845</u>	<u>3,338,081</u>	<u>5,331,906</u>
Fund Balances at End of Year	<u>\$1,735,070</u>	<u>\$1,221,592</u>	<u>\$3,418,796</u>	<u>\$6,375,458</u>

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$1,043,552

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. In the current period, these amounts are:

Capital Asset Additions	\$222,399	
Depreciation Expense	<u>(2,828,720)</u>	
Total		(2,606,321)

The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(5,159)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

General Obligation Bonds	825,000	
Amortization of Premium on Bonds	95,759	
Amortization of Deferred Charge on Refunding Bonds	(77,478)	
Accretion on General Obligation Bonds	<u>(330,468)</u>	
Total		512,813

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

Property Taxes	2,185	
Intergovernmental Grants	<u>136,902</u>	
		139,087

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Vacation Leave Payable	(14,539)	
Decrease in Compensated Absences	80,933	
Increase in Accrued Interest Payable	(33,724)	
Total		<u>32,670</u>

Change in Net Position of Governmental Activities		<u><u>(\$883,358)</u></u>
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*See Accompanying Notes to the Basic Financial Statements.*



**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and Other Taxes	\$7,784,372	\$7,427,056	\$7,427,056	
Tuition and Fees	1,390,682	1,494,363	1,494,363	
Interest	93	4,667	4,667	
Intergovernmental	17,037,619	18,308,738	18,308,738	
Gifts and Donations	709	5,040	5,040	
Charges for Services	511	262	262	
Rent	17,112	25,217	25,217	
Miscellaneous	45,010	131,831	131,831	
Total Revenues	<u>26,276,108</u>	<u>27,397,174</u>	<u>27,397,174</u>	
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	11,613,415	11,309,694	11,309,694	
Special	3,017,809	3,697,766	3,697,766	
Vocational	384,174	408,236	408,236	
Student Intervention Services	2,239	115	115	
Other	991,208	1,487,848	1,487,848	
<b>Support Services:</b>				
Pupils	1,560,662	1,569,700	1,569,700	
Instructional Staff	969,262	878,072	878,072	
Board of Education	69,676	93,858	93,858	
Administration	2,347,902	2,340,805	2,340,805	
Fiscal	565,891	627,786	627,786	
Business	60,641	100,614	100,614	
Operation and Maintenance of Plant	3,901,879	3,278,262	3,278,262	
Pupil Transportation	1,718,900	1,446,555	1,446,555	
Central	121,157	80,142	80,142	
Operation of Non-Instructional Services	47	3,197	3,197	
Extracurricular Activities	373,158	392,992	392,992	
Capital Outlay		2,390	2,390	
Total Expenditures	<u>27,698,020</u>	<u>27,718,032</u>	<u>27,718,032</u>	
Excess of Revenues Under Expenditures	<u>(1,421,912)</u>	<u>(320,858)</u>	<u>(320,858)</u>	
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	18,050			
Insurance Recoveries	17,860	26,810	26,810	
Advance In		1,078,699	1,078,699	
Advance Out		<u>(1,076,818)</u>	<u>(1,076,818)</u>	
Total Other Financing Sources (Uses)	<u>35,910</u>	<u>28,691</u>	<u>28,691</u>	
Net Change in Fund Balances	(1,386,002)	(292,167)	(292,167)	
Fund Balance at Beginning of Year	428,854	428,854	428,854	
Prior Year Encumbrances Appropriated	<u>1,028,585</u>	<u>1,028,585</u>	<u>1,028,585</u>	
Fund Balance at End of Year	<u>\$71,437</u>	<u>\$1,165,272</u>	<u>\$1,165,272</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements.

TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND  
JUNE 30, 2014

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$83,508</u>
<b>Liabilities:</b>	
Due to Students	<u>\$83,508</u>

*See Accompanying Notes to the Basic Financial Statements.*

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Tecumseh Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as mandated by State statute and federal guidelines.

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 166 non-certificated employees, 210 certificated full-time teaching personnel and 20 administrators, who provide services to 3,200 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Tecumseh Local School District, this includes general operations, food service, latchkey, and student related activities of the School District.

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District participates in seven jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Clark County Family and Children First Council
- Springfield-Clark Career Technology Center
- Tecumseh Education Foundation
- Miami Valley Special Education Regional Resource Center

**Insurance Purchasing Pool:**

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Tecumseh Local 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. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-wide Financial Statements:**

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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.

**2. Fund Financial Statements:**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Funds:**

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

**General Fund** - The general fund is the operating fund of the School District and 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.

**Bond Retirement Fund** – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

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

**2. Fiduciary Fund:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no funds which are classified as trust funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Measurement Focus**

**1. Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fund Financial Statements:**

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

**1. 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

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

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited in the School District Treasury.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based upon quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

During fiscal year 2014, the School District had no investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$4,667 which includes \$3,235 assigned from other School District funds.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

**F. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. Capital Assets**

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 years
Buildings and Improvements	30 years
Furniture and Equipment	5-10 years
Vehicles	10 years

**I. Accrued Liabilities and Long-term Obligations**

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

In general, payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.



**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. 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 for administrators because they can use their balance until the end of August and can request a cash payout of up to 10 days.

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 School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**K. Fund Balance**

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 governmental funds. The classifications are as follows:

**Non-spendable** – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

**Committed** – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned** – Amounts in the assigned 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 Board of Education.

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

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

**L. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/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 is 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. Net position restricted for other purposes includes activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the restricted net position amounts were restricted by enabling legislation.

**M. Deferred Charge on Refunding Bonds**

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

**N. Bond Discounts/Premiums**

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Bond premiums/discounts are presented as additions/reductions to the face amount of the bonds payable. On the government-wide fund financial statements, bond premiums and discounts are recognized in the period in which the debt is issued.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Interfund Activity**

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

**P. Estimates**

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

**Q. Budgetary Data**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year which matched actual expenditures plus encumbrances at fiscal year-end.

**3. BUDGETARY BASIS OF ACCOUNTING**

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

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Perspective differences as a result of fund structure differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

<b>Net Change in Fund Balance</b>	<b>General</b>
GAAP Basis	\$905,090
Net Adjustment for Revenue Accruals	11,447
Net Adjustment for Expenditure Accruals	(256,399)
Perspective Differences	3,930
Advances	1,881
Encumbrances	(958,116)
Budget Basis	(\$292,167)

**4. FUND DEFICITS**

The Career Technical Education, Title IC, IDEA Part B, Sub A Title I, Title III Immigrant, Title I, and Title IIA special revenue funds had deficit fund balances at June 30, 2014, of \$407, \$8,874, \$58,727, \$16,456, \$5,470, \$121,825 and \$26,494, respectively. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur. Management expects the remaining deficits in these funds to be corrected in early fiscal year 2015 when grant dollars are received.

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

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

Interim monies are 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of the total amount of all public deposits secured by the pool, that are covered by any federal deposit insurance whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$6,918,707 and the bank balance was \$7,823,142. \$254,769 of the School District's deposits was insured by federal depository insurance. As of June 30, 2014, \$7,568,373 of the School District's bank balance of \$7,823,142 was collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

**B. Investments**

At June 30, 2014, the School District did not have any investments.

**Interest Rate Risk** - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Clark County and Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been shown as a deferred inflow of resources.

The amount available as an advance at June 30, 2014, was \$1,967,762 in the general fund, \$245,128 in the bond retirement fund, and \$237,940 in the other governmental funds. The amount available as an advance at June 30, 2013, was \$1,917,800 in the general fund, \$243,530 in the bond retirement fund, \$209,493 in the permanent improvement fund and \$26,127 in the other governmental funds.

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

	<b>2013 Second- Half Collections</b>		<b>2014 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$271,881,335	96.1%	\$263,163,598	96.0%
Public Utility Personal	11,140,300	3.9%	11,053,450	4.0%
Total	<u>\$283,021,635</u>	<u>100.0%</u>	<u>\$274,217,048</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$45.78		\$45.75	

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2014, consisted of property taxes, accounts (tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables are as follows:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
ROTC	\$1,591
SERS Refund	\$24,798
Lunchroom	8,607
Career Technical Education	5,005
Title IC - Migrant	80,055
Special Education, Part B IDEA	111,944
Sub A - Title I	23,770
LEP III	5,700
Title I	315,864
Title IIA	11,043
<b>Total</b>	<b><u>\$588,377</u></b>

**8. CAPITAL ASSETS**

Capital asset activity for governmental activities for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 6/30/2014</u>
<b>Governmental Assets:</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$520,022			\$520,022
<b>Capital Assets, being depreciated:</b>				
Land Improvements	38,366	\$23,000		61,366
Building and Improvements	85,336,434			85,336,434
Furniture and Equipment	2,652,876	36,027	(\$22,444)	2,666,459
Vehicles	2,709,036	163,372	(52,208)	2,820,200
<b>Total Capital Assets, being depreciated</b>	<b>90,736,712</b>	<b>222,399</b>	<b>(74,652)</b>	<b>90,884,459</b>
<b>Less: Accumulated Depreciation:</b>				
Land Improvements	(19,567)	(4,507)		(24,074)
Buildings and Improvements	(16,645,532)	(2,551,735)		(19,197,267)
Furniture and Equipment	(1,968,463)	(139,737)	20,882	(2,087,318)
Vehicles	(1,769,023)	(132,741)	48,611	(1,853,153)
<b>Total Accumulated Depreciation</b>	<b>(20,402,585)</b>	<b>(2,828,720)</b>	<b>69,493</b>	<b>(23,161,812)</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>70,334,127</b>	<b>(2,606,321)</b>	<b>(5,159)</b>	<b>67,722,647</b>
<b>Governmental Activities Capital Assets, net</b>	<b><u>\$70,854,149</u></b>	<b><u>(\$2,606,321)</u></b>	<b><u>(\$5,159)</u></b>	<b><u>\$68,242,669</u></b>

\* Depreciation expense was charged to governmental functions as follows:



**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

<b>Instruction:</b>	
Regular	\$28,562
Vocational	504
<b>Support Services:</b>	
Administration	3,483
Fiscal	1,133
Operation and Maintenance of Plant	19,461
Transportation	127,259
Operation of Non-Instructional Services	642
Extracurricular Activities	<u>1,741</u>
Total	182,785
Unallocated Depreciation	<u>2,645,935</u>
Total Depreciation Expense	<u><u>\$2,828,720</u></u>

**9. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with Selective Insurance Company of the Southeast through the Southwestern Ohio Educational Purchasing Cooperative for property, general liability and automobile insurance.

Coverage provided by Selective Insurance Company of the Southeast is as follows:

Building and Contents-replacement cost	\$350,000,000
Inland Marine Coverage (\$1,000 deductible)	Included above
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability	1,000,000
School Errors & Omissions Liability	500,000
General Liability	1,000,000
Fiduciary Liability (\$1,500) deductible	1,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

**B. Workers' Compensation**

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent of annual covered salary. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$512,298, \$550,472, and \$532,682, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**B. State Teachers Retirement System**

**Plan Description** - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Funding Policy** – The statutory maximum employee contribution rate will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,641,657, \$1,748,291, and \$1,737,882, respectively; 83.55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**11. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

**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 premium for calendar year 2014 was \$104.90 for most participants but could be as high as \$335.70 per month depending upon their income status. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$29,721, \$31,095, and \$31,541, respectively; 100.00 percent has been contributed for fiscal years 2014, 2013 and 2012.

**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 HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**11. POST-EMPLOYMENT BENEFITS (Continued)**

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 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14 percent. 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 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For 2014, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$77,138, \$67,885, and \$80,036, respectively; 7.10 percent has been contributed for fiscal year 2014 and 100 percent 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.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**B. State Teachers Retirement System**

**Plan Description** – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$126,281, \$134,484, and \$133,683, respectively; 83.55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave must be used by each employee prior to the end of their contract year. Administrators may request to have up to 10 days paid. Unused vacation time, earned within a contract year, is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 255 days for all personnel, except administrators. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum 62 days for all employees with ten or more years of current service with the School District. Administrators may accumulate up to a maximum of 302 days depending upon their position. Upon retirement, payment is made at 25.2% of the total unused sick leave balance up to a maximum of 76 days depending upon their position.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance through Fort Dearborn, administered by CoreSource. The School District provides health insurance coverage through United Health Care of Ohio, Inc. Each employee share of the total core premium was 16 percent of the monthly premium, with the option of the employee paying for any plan buy-up. Dental insurance is provided through Delta Dental and vision benefits are provided through Vision Service Plan.

**13. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2014, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Remaining Balance</u>
Constellation Newenergy	\$45,000	\$19,629	\$25,371
Slagle Mechanical	56,284	10,432	45,852
Innovative Energy Solutions	27,000	3,833	23,167
Ohio Valley Integration Services	50,000	7,032	42,968
	<u>\$178,284</u>	<u>\$40,926</u>	<u>\$137,358</u>

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. LONG-TERM OBLIGATIONS**

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

	Amount Outstanding 6/30/2013	Additions	Deletions	Amount Outstanding 6/30/2014	Amount Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds 2004:</b>					
Serial Bonds	\$1,215,000		(\$590,000)	\$625,000	\$625,000
Capital Appreciation Bonds	409,975			409,975	
Interest Accretion on Capital Appreciation Bonds	794,044	\$150,097		944,141	
Total - General Obligation Bonds 2004	2,419,019	150,097	(590,000)	1,979,116	625,000
<b>Refunding Bonds 2012:</b>					
Serial Bonds	6,350,000		(125,000)	6,225,000	110,000
Term Bonds	1,510,000			1,510,000	
Capital Appreciation Bonds	959,991	92,629		1,052,620	
Total - Refunding Bonds 2012	8,819,991	92,629	(125,000)	8,787,620	110,000
<b>Refunding Bonds 2013:</b>					
Serial Bonds	5,615,000		(110,000)	5,505,000	80,000
Term Bonds	340,000			340,000	
Capital Appreciation Bonds	89,997	87,742		177,739	
Total - Refunding Bonds 2013	6,044,997	87,742	(110,000)	6,022,739	80,000
Total General Obligation Bonds	17,284,007	330,468	(825,000)	16,789,475	815,000
Unamortized Premium on Bonds					
Refunding Bonds 2012	962,183		(50,641)	911,542	
Refunding Bonds 2013	676,764		(45,118)	631,646	
Total Unamortized Premiums on Bonds	1,638,947		(95,759)	1,543,188	
Compensated Absences	2,078,844	160,218	(241,151)	1,997,911	172,620
Total Governmental Activities	\$21,001,798	\$490,686	(\$1,161,910)	\$20,330,574	\$987,620

**A. General Obligation Bonds 2004**

The School District issued general obligation bonds in 2004 for the construction and renovation of school buildings. The original amount of the bonds was \$20,614,975. Of the general obligation bonds, \$6,710,000 was serial bonds with interest rates ranging from 2% to 4.2% and mature December 31, 2016. The \$13,495,000 in term bonds has interest rates ranging from 4.625% to 4.75% and mature December 31, 2031. \$409,975 is capital appreciation bonds (maturity amount of \$750,000 on December 1, 2017, \$765,000 on December 1, 2018 and \$775,000 on December 1, 2019). A portion of these bonds was refunded during fiscal year 2013.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

**B. Refunding Bonds 2012**

On December 27, 2012, the School District issued \$8,819,991 in bonds for refunding \$8,820,000 of the 2004 general obligation bonds with interest rates ranging from 4.2% to 4.75%. Of the refunding bonds issued, \$6,350,000 was serial bonds with interest rates ranging from 2-4% and mature December 31, 2031. The \$1,510,000 in term bonds has interest rates ranging from 2-3% and mature December 31, 2028. \$959,991 is capital appreciation bonds (maturity amount of \$115,000 on December 1, 2015, \$820,000 on December 1, 2016 and \$880,000 on December 1, 2020.)

**C. Refunding Bonds 2013**

On February 21, 2013, the School District issued \$6,044,997 in bonds for refunding \$6,045,000 of the 2004 general obligation bonds with interest rates ranging from 4.1% to 4.75%. Of the refunding bonds issued, \$5,615,000 was serial bonds with interest rates ranging from 1-3% and mature December 31, 2027. The \$340,000 in term bonds has interest rates ranging from 1.5-2% and mature December 31, 2022. \$89,997 is capital appreciation bonds (maturity amount of \$745,000 on December 1, 2015 and \$55,000 on December 1, 2016.)

In prior years, the School District defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included on the School District's financial statements. On June 30, 2014, \$14,865,000 of bonds outstanding are considered defeased.

Compensated absences will be paid from the general fund and the food service and latchkey funds.

The School District's debt service requirements at June 30, 2014, were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$815,000	\$390,684	\$1,205,684
2016	169,263	1,067,426	1,236,689
2017	525,847	725,841	1,251,688
2018	290,615	974,811	1,265,426
2019	276,499	1,001,402	1,277,901
2020-2024	3,627,739	2,932,740	6,560,479
2025-2029	5,745,000	1,206,824	6,951,824
2030-2032	4,215,000	253,275	4,468,275
Total	<u>15,664,963</u>	<u>\$8,553,003</u>	<u>\$24,217,966</u>
Accretion of CABs	<u>1,124,512</u>		
General Obligation Bonds	<u>\$16,789,475</u>		

The School District's overall legal debt margin was \$9,991,034 and the un-voted debt margin was \$274,217 at June 30, 2014.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, 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 governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<b>Fund Balance</b>	<b>General</b>	<b>Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Non-spendable:</b>				
Unclaimed checks	\$42,064			\$42,064
Permanent Fund Principal Inventory	124,100		\$2,000 18,033	2,000 142,133
Total Non-spendable	<u>166,164</u>		<u>20,033</u>	<u>186,197</u>
<b>Restricted for:</b>				
Food Service Operations			960,867	960,867
Classroom Maintenance			1,338,965	1,338,965
Athletics			93,892	93,892
Permanent Fund			410	410
Capital Improvements			1,218,079	1,218,079
State and Federal Grants			24,803	24,803
Debt Service		\$1,221,592		1,221,592
Total Restricted		<u>1,221,592</u>	<u>3,637,016</u>	<u>4,858,608</u>
<b>Assigned for:</b>				
Unpaid Obligations	796,323			796,323
Latchkey Program	12,333			12,333
Public School Support	205,981			205,981
Donnelsville Parent Center	77			77
Total Assigned	<u>1,014,714</u>			<u>1,014,714</u>
Unassigned	554,192		(238,253)	315,939
Total Fund Balance	<u>\$1,735,070</u>	<u>\$1,221,592</u>	<u>\$3,418,796</u>	<u>\$6,375,458</u>

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Miami Valley Educational Computer Association** - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Greene, Highland, Fayette, and Madison Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of seven representatives from the member districts. Not less than two members are superintendents of the member districts and not less than two are treasurers of the member districts.

The School District paid MVECA \$172,105 for services provided during the fiscal year. Financial information can be obtained from Thor Sage, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.



**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**Southwestern Ohio Educational Purchasing Council** -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 130 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2014, the School District paid \$119,770 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2014, the School District made \$1,572 in payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

**Clark County Family and Children First Council** - The Clark County Family and Children First Council (FCFC) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Tecumseh Local School District did not have any payments to the FCFC during fiscal year 2014.

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Leslie Crew, who serves as Executive Director, at 1345 Lagonda Avenue, Springfield, Ohio 45505.

**Springfield-Clark Career Technology Center** - The Springfield-Clark Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Tecumseh Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District.

The School District did not make any financial contributions to the CTC during fiscal year 2014. To obtain financial information, write to the Springfield-Clark Career Technology Center, Anthony Fraley, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

**Tecumseh Education Foundation** – The Tecumseh Education Foundation (TEF) is a non-profit community organization of business, civic, industry and educational interests whose purpose is to secure and distribute contributions to assist the School District in enabling students to achieve their individual potential. The Board of Trustees is comprised of eleven representatives who are nominated and elected by a majority vote by the present trustees. One member of the Tecumseh Local School District Board is designated annually by the Tecumseh Local School District Board to serve as one of the eleven trustees.

Each of the elected trustees serves a three year term, with one-third of the trustees being elected every year. The Superintendent of the School District will serve in an ex officio capacity on a continuing basis. Officers of the TEF are elected annually by the Board of Trustees. The officers of the foundation shall consist of a President, a Vice-President, a Secretary, a Treasurer and other offices as the Board of Trustees may appoint. The President and Vice-President of the Board of Trustees shall be members of the Board of Trustees. The Secretary and Treasurer need not be members of the Board of Trustees.

The School District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The School District did not contribute any money to the TEF during fiscal year 2014. During fiscal year 2008, the TEF received an endowment for \$2.4 million that is to be used to provide scholarships to Tecumseh LSD graduates. The money was turned over to the Springfield Foundation to administer the program. To obtain financial information write to the Tecumseh Educational Foundation, Kevin Harmon, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**Miami Valley Special Education Regional Resource Center** – The Miami Valley Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-seven member board consisting of the superintendent of the thirty-eight participating school districts with one representative from the University of Dayton. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2014, the School District paid \$61,595 to the SERRC. Financial information can be obtained from Tom Dunn, Administrative Supervisor, 4801 Springfield Street, Riverside, OH 45431.

**B. Insurance Purchasing Pool**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a eleven member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**17. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2014.

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$542,574
Qualifying Disbursements	(147,618)
Prior Year Offset from Bond Proceeds	(161,390)
Current Year Offsets	(233,566)
Total Set-aside Reserve Balance at June 30, 2014	\$0
Excess Available to Carry-Over to Subsequent Year	\$0

**TECUMSEH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**17. SET-ASIDE CALCULATIONS (Continued)**

Although the School District had qualifying disbursements and offsets that reduced the capital acquisitions set-aside below zero, the negative amount can only be carried forward to the extent of the expenditures from bond proceeds.

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During prior years, District issued capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$18,955,732 at June 30, 2014.

In accordance with legislative requirements, the School District continues to maintain funds in the amount \$80,264 that were related to workers' compensation rebates in the budget stabilization reserve, which has been combined with the general fund. The School District's budget stabilization account is comprised entirely of workers' compensation rebate funds.

**18. INTERFUND TRANSACTIONS**

At June 30, 2014, the School District had a short-term interfund loan with the General Fund in the amount of \$22,178. \$389 was owed from the Career Technical Education Fund, \$1,495 was owed from the Title IC, \$10,785 was owed from the Title VI-B IDEA, \$623 was owed from LEP III, \$210 from the Title IIA fund and \$8,676 was owed from the Sub A Title I funds, all which are included with other governmental funds.

**19. CONTINGENCIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**20. CHANGES IN ACCOUNTING PRINCIPLE**

For fiscal year 2014, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees."* GASB *Statement No. 70* provides guidance for reporting financial guarantees that are non-exchange transactions extended or received by a state or local government. The implementation of this statement had no effect on the School District.

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**21. SUBSEQUENT EVENT**

The School District assessed events occurring subsequent to June 30, 2014, to the audit opinion date, for potential recognition and disclosure in the financial statements.

On November 4, 2014, the voters approved a renewal of a tax for the purpose of improvements, renovations, and additions, to school facilities, and providing equipment, furnishings, and site improvements at a rate of four (4.00) mills for each one dollar of valuation. The five year levy is anticipated to generate \$707,084 during the first year of collection.

**22. ON-GOING INVESTIGATION**

There is an ongoing investigation involving a District Administrator and District expenditures. The outcome of this investigation is unknown at this time, but is not anticipated to have a material impact on the District's financial statements.

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**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Agriculture</b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$236,318	\$33,929	\$236,318	\$33,929
National School Lunch Program	10.555	675,695	55,359	675,695	55,359
Total Child Nutrition Cluster		<u>912,013</u>	<u>89,288</u>	<u>912,013</u>	<u>89,288</u>
Total U.S. Department of Agriculture		912,013	89,288	912,013	89,288
<b>U.S. Department of Education</b>					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	821,098		825,047	
Migrant Education - State Grant Program	84.011	102,088		100,771	
Special Education Cluster:					
Special Education - Grants to States	84.027	648,788		650,197	
<i>Passed through Clark County Educational Service Center</i>					
Special Education - Preschool Grants	84.173	22,514		22,514	
Total Special Education Cluster		<u>671,302</u>		<u>672,711</u>	
<i>Passed through Ohio Department of Education</i>					
English Language Acquisition State Grants	84.365	41,196		42,315	
Improving Teacher Quality State Grants	84.367	149,330		149,600	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	65,364		52,773	
Total U.S. Department of Education		<u>1,850,378</u>		<u>1,843,217</u>	
Total Federal Financial Assistance		<u>\$2,762,391</u>	<u>\$89,288</u>	<u>\$2,755,230</u>	<u>\$89,288</u>

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

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# Dave Yost • Auditor of State

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

Tecumseh Local School District  
Clark County  
9760 West National Road  
New Carlisle, Ohio 45344

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, (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 and have issued our report thereon dated March 24, 2015.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 24, 2015



# Dave Yost • Auditor of State

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

Tecumseh Local School District  
Clark County  
9760 West National Road  
New Carlisle, Ohio 45344

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Tecumseh Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Tecumseh Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Tecumseh Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 24, 2015

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies: CFDA #84.010  Special Education Cluster: Special Education – Grants to States: CFDA #84.027 Special Education – Preschool Grants: CFDA #84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

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

None

**TECUMSEH LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Material Weakness – Financial Statement Errors – There were various adjusted and unadjusted errors in the financial statements.	Yes	These financial statement errors were corrected for this audit period.



# Dave Yost • Auditor of State

**TECUMSEH LOCAL SCHOOL DISTRICT**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 31, 2015**