

# Talawanda City School District



## Basic Financial Statements

June 30, 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Talawanda School District, Butler County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Talawanda City School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talawanda City School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–12 and pages 47–49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 31, 2013

## TALAWANDA SCHOOL DISTRICT, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) Year Ended June 30, 2013

This discussion and analysis provides key information from management highlighting the overall financial performance of the Talawanda School District for the year ended June 30, 2013. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

#### Financial Highlights

Major financial highlights for fiscal year 2013 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$37,401,011. Of this amount, \$19,966,277 may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net position decreased by \$194,031.
- ✓ The School District had \$39,188,751 in expenses related to governmental activities; only \$4,050,913 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$34,943,807, made up primarily of property and income taxes as well as State Foundation payments, was used to provide for these programs.
- ✓ The General Fund's ending fund balance increased by \$1,382,266 from \$19,505,379 at June 30, 2012 to \$20,887,645 at June 30, 2013.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Management's Discussion and Analysis**  
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**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

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

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

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

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

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



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

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

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

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

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

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net position at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2013 and 2012:

	<b>Governmental Activities</b>	
	<u><b>FY13</b></u>	<u><b>FY12</b></u>
Current and other assets	\$ 53,540,265	56,271,445
Capital assets	<u>58,654,010</u>	<u>58,140,571</u>
Total assets	<u>112,194,275</u>	<u>114,412,016</u>
Long-term liabilities outstanding	52,052,583	53,938,844
Other liabilities	<u>22,740,681</u>	<u>22,878,130</u>
Total liabilities	<u>74,793,264</u>	<u>76,816,974</u>
Net position:		
Net investment in capital assets	9,197,356	10,470,185
Restricted:		
For capital projects	3,822,465	2,810,131
For debt service	3,810,527	3,698,199
For other purposes	604,386	988,571
Unrestricted	<u>19,966,277</u>	<u>19,627,956</u>
Total net position	<u>\$ 37,401,011</u>	<u>37,595,042</u>

A large portion of the School District's net position (\$9,197,356) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of unrestricted net position (\$19,966,277) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets decreased by approximately \$2.2 million, or 1.9%. Current and other assets decreased as project cash balances were spent and the field turf and new High School building projects were completed. The School District also experienced a decline in taxes receivable due to lower real estate valuations and less unpaid delinquent taxes outstanding. Total liabilities decreased by approximately \$2 million, or 2.6%. The majority of this decrease took place in long-term liabilities, as the School District continued to make its scheduled bond payments.

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**B. Governmental Activities during fiscal year 2013**

The following table presents a condensed summary of the School District's activities during fiscal year 2013 and 2012 and the resulting change in net position:

	<u><b>FY13</b></u>	<u><b>FY12</b></u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 2,064,070	1,977,910
Operating grants and contributions	<u>1,986,843</u>	<u>2,362,941</u>
Total program revenues	<u>4,050,913</u>	<u>4,340,851</u>
General revenues:		
Taxes	23,554,643	25,564,476
Grants and entitlements	10,876,100	11,096,189
Investment earnings	24,651	5,624
Miscellaneous	<u>488,413</u>	<u>727,587</u>
Total general revenues	<u>34,943,807</u>	<u>37,393,876</u>
<b>Total revenues</b>	<u><b>38,994,720</b></u>	<u><b>41,734,727</b></u>
<b>Expenses:</b>		
Instruction	20,471,531	19,153,527
Support services:		
Pupil	1,626,396	2,289,623
Instructional staff	2,400,082	2,395,098
Board of Education	60,014	62,036
Administration	2,228,366	2,129,639
Fiscal	1,314,829	1,315,195
Business	802	858
Operation and maintenance of plant	3,122,849	2,652,567
Pupil transportation	2,875,288	2,561,141
Central	227,646	206,188
Non-instructional services	968,939	831,928
Interest on long-term debt	2,660,799	2,744,185
Food services	<u>1,231,210</u>	<u>1,203,195</u>
<b>Total expenses</b>	<u><b>39,188,751</b></u>	<u><b>37,545,180</b></u>
Change in net position	(194,031)	4,189,547
Net position beginning of year	<u>37,595,042</u>	<u>33,405,495</u>
<b>Net position end of year</b>	<u><b>\$ 37,401,011</b></u>	<u><b>37,595,042</b></u>

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Of the total governmental activities revenues of \$38,994,720, \$4,050,913 is from program revenue. This means that the School District relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$23,554,643 (67%) comes from property and income taxes and \$10,876,100 (31%) is from state funding. The School District's operations are reliant upon its property tax levy, income taxes and the state's foundation program.

In total, revenues decreased by approximately \$2.7 million, or 6.6%. The majority of the decrease occurred in tax revenue due to lower real estate valuations and less unpaid delinquent taxes outstanding. Total expenses increased by approximately \$1.6 million, or 4.4%, as the School District initiated the outsourcing of its custodial services for the new high school building, as well as started outsourcing substitutes for its faculty from the Butler County Education Service Center. Additionally, the School District incurred additional depreciation expense on the new facilities placed in service.

***Governmental Activities***

The following table presents the total cost of each of the School District's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 10% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$20,471,531 but program revenue contributed to fund 12% of those costs. Thus, general revenues of \$17,960,897 were used to support the remainder of the instruction costs.

**Governmental Activities**

	<b><u>Total Cost of Services</u></b>	<b><u>Program Revenue</u></b>	<b><u>Revenues as a % of Total Costs</u></b>	<b><u>Net Cost of Services</u></b>
Instruction	\$ 20,471,531	2,510,634	12%	17,960,897
Support services	13,856,272	248,367	2%	13,607,905
Non-instructional services	968,939	148,173	15%	820,766
Food service	1,231,210	1,143,739	93%	87,471
Interest on long-term debt	<u>2,660,799</u>	<u>-</u>	0%	<u>2,660,799</u>
<b>Total</b>	<b>\$ <u>39,188,751</u></b>	<b><u>4,050,913</u></b>	<b><u>10%</u></b>	<b><u>35,137,838</u></b>

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

**Governmental funds**

The School District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprise \$46,979,282 (89%) of the total \$52,967,852 governmental funds' assets.

**General Fund.** Fund balance at June 30, 2013 was \$20,887,645, including \$20,019,623 of unassigned balance, which represents 65% of expenditures for fiscal year 2013. Overall, revenues exceeded expenditures by approximately \$1,382,000, lower than prior year increases. Expenditures increased due to general inflationary increases, such as an 8.5% increase in health care premiums and salary step increases for certified personnel.

**Debt Service Fund.** The Debt Service Fund had a fund balance at June 30, 2013 of \$4,041,242, an increase of \$408,123 over the prior fiscal year. The Debt Service Fund is used to accumulate resources to retire the School District's general obligation bonds. All required bond payments were made as schedule during the current fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. Revisions were made from the original budget to arrive at the final budget due to initial conservative estimates. Additionally, actual revenues were \$301,542 higher than the final budget revenue due to taxes and related state reimbursements coming in higher than estimated. Actual expenditures came in less than budgeted by \$710,315, or 2.3%, due to conservative budgeting.

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2013, the School District had \$58,654,010 invested in a broad range of capital assets, including land, buildings, equipment, and vehicles. See Note 5 to the financial statements for more detail.

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

	<u>FY13</u>	<u>FY12</u>
Land	\$ 2,560,594	2,560,594
Construction in progress	2,547,767	40,351,939
Land improvements	492,448	575,729
Buildings and improvements	52,538,573	13,832,904
Furniture and equipment	501,516	801,916
Vehicles	<u>13,112</u>	<u>17,489</u>
Total	<u>\$ 58,654,010</u>	<u>58,140,571</u>

The School District completed construction on a new high school and field turf, placing them in service during the fiscal year. Additionally, the School District moved forward on additional phases of the master plan, including continued work on athletic dugouts and press boxes.

**Debt.** As of June 30, 2013, the School District had \$47,050,000 outstanding in general obligation school improvement bonds, including \$1,965,000 due within the next fiscal year. Also during the fiscal year, the School District issued \$1,490,000 in refunding bonds to refund the callable portion of the Series 2004 bonds. See Note 10 to the financial statements.

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**ECONOMIC FACTORS**

In November 2004, the School District passed a 1% School District Income Tax that has generated over \$5 million annually. The School District is working hard to maintain a positive general fund balance through the 2018 school year. In an attempt to identify alternative revenue, the Talawanda Board of Education implemented a policy to accept students from other school districts through open enrollment. Revenue from open enrollment totaled \$628,000 for fiscal year 2013. The School District began taking certain cost reduction measures beginning in fiscal year 2008 that continued through fiscal year 2013.

In November 2008, the School District passed a 4.7 mill Bond Issue to build a new High School. The total projected cost of the new 190,000 square foot facility is approximately \$46 million. This cost includes land acquisition of a 154 acre parcel of land just south of the Oxford City limits on Route 27. The City has annexed this land and will provide city services (including water and sewer) to the School District's new building. The building was certified for occupation in July 2012.

**REQUESTS FOR ADDITIONAL INFORMATION**

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

# TALAWANDA SCHOOL DISTRICT, OHIO

## Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 29,826,604
Cash with escrow agents	31,339
Receivables:	
Taxes	22,484,588
Accounts	7,112
Intergovernmental	201,916
Interest	6,007
Supplies inventory	22,779
Prepays	98,905
Restricted assets	275,990
Deferred charges	585,025
Nondepreciable capital assets	5,108,361
Depreciable capital assets, net	<u>53,545,649</u>
<b>Total assets</b>	<u>112,194,275</u>
<b>Liabilities:</b>	
Accounts payable	256,735
Accrued wages and benefits	3,083,308
Pension obligation payable	617,565
Unearned revenue	18,566,674
Accrued interest payable	216,399
Noncurrent liabilities:	
Due within one year	2,370,977
Due within more than one year	<u>49,681,606</u>
<b>Total liabilities</b>	<u>74,793,264</u>
<b>Net Position:</b>	
Net investment in capital assets	9,197,356
Restricted for:	
Capital projects	3,822,465
Debt service	3,810,527
Other purposes	604,386
Unrestricted	<u>19,966,277</u>
<b>Total net position</b>	<u>\$ 37,401,011</u>

See accompanying notes to the basic financial statements.



# TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Activities  
Year Ended June 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 16,322,315	1,462,079	225,077	\$ (14,635,159)
Special education	2,961,530	-	811,083	(2,150,447)
Other instruction	1,187,686	-	12,395	(1,175,291)
Support services:				
Pupil	1,626,396	-	68,037	(1,558,359)
Instructional staff	2,400,082	-	154,205	(2,245,877)
Board of Education	60,014	-	-	(60,014)
Administration	2,228,366	-	16,275	(2,212,091)
Fiscal	1,314,829	-	259	(1,314,570)
Business	802	-	-	(802)
Operation and maintenance of plant	3,122,849	-	-	(3,122,849)
Pupil transportation	2,875,288	-	9,591	(2,865,697)
Central	227,646	-	-	(227,646)
Non-instructional services:				
Extracurricular activities	853,514	107,052	-	(746,462)
Community service	115,425	-	41,121	(74,304)
Food service	1,231,210	494,939	648,800	(87,471)
Interest on long-term debt	2,660,799	-	-	(2,660,799)
<b>Total Governmental Activities</b>	<b>\$ 39,188,751</b>	<b>2,064,070</b>	<b>1,986,843</b>	<b>(35,137,838)</b>
<b>General Revenues:</b>				
Property taxes, levied for general purposes				13,381,286
Property taxes, levied for debt services				3,291,962
Property taxes, levied for capital projects				1,129,320
Income taxes				5,752,075
Grants and entitlements not restricted to specific programs				10,876,100
Investment earnings				24,651
Miscellaneous				488,413
<b>Total general revenues</b>				<b>34,943,807</b>
Change in net position				(194,031)
Net position beginning of year				37,595,042
Net position end of year				\$ <u>37,401,011</u>

See accompanying notes to the basic financial statements.

# TALAWANDA SCHOOL DISTRICT, OHIO

Balance Sheet

Governmental Funds

June 30, 2013

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 21,404,610	3,917,589	4,504,405	29,826,604
Restricted cash	275,990	-	-	275,990
Cash with escrow agents	-	-	31,339	31,339
Receivables:				
Taxes	17,517,104	3,669,141	1,298,343	22,484,588
Accounts	7,112	-	-	7,112
Accrued interest	6,007	-	-	6,007
Intergovernmental	70,212	-	131,704	201,916
Prepays	98,905	-	-	98,905
Supplies inventory	-	-	22,779	22,779
Interfund receivable	12,612	-	-	12,612
<b>Total assets</b>	<u>39,392,552</u>	<u>7,586,730</u>	<u>5,988,570</u>	<u>52,967,852</u>
<b>Liabilities:</b>				
Accounts payable	84,123	-	172,612	256,735
Accrued wages and benefits	2,857,385	-	225,923	3,083,308
Pension obligation payable	597,823	-	19,742	617,565
Interfund payable	-	-	12,612	12,612
Compensated absences payable	10,965	-	1,185	12,150
Deferred revenue	14,954,611	3,545,488	1,339,602	19,839,701
<b>Total liabilities</b>	<u>18,504,907</u>	<u>3,545,488</u>	<u>1,771,676</u>	<u>23,822,071</u>
<b>Fund Balances:</b>				
Nonspendable	98,905	-	22,779	121,684
Restricted	-	4,041,242	4,280,551	8,321,793
Assigned	769,117	-	-	769,117
Unassigned	20,019,623	-	(86,436)	19,933,187
<b>Total fund balances</b>	<u>20,887,645</u>	<u>4,041,242</u>	<u>4,216,894</u>	<u>29,145,781</u>
<b>Total liabilities and fund balances</b>	<u>\$ 39,392,552</u>	<u>7,586,730</u>	<u>5,988,570</u>	<u>52,967,852</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2013

<b>Total Governmental Fund Balances</b>		\$ 29,145,781
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.		58,654,010
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		1,273,027
Deferred charges are not reported in the funds.		585,025
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	47,050,000	
Unamortized premiums	928,679	
Bond accretion	130,460	
Compensated absences	1,868,294	
Lease-purchase agreement	2,063,000	
Accrued interest payable	<u>216,399</u>	
Total		<u>(52,256,832)</u>
Net Position of Governmental Activities		\$ <u>37,401,011</u>

**TALAWANDA SCHOOL DISTRICT, OHIO**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2013

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 20,513,608	3,553,097	1,218,904	25,285,609
Tuition and fees	1,319,777	-	-	1,319,777
Interest	27,460	-	(1,720)	25,740
Charges for services	-	-	494,939	494,939
Intergovernmental	9,593,117	1,090,330	2,149,612	12,833,059
Other local revenues	535,209	-	202,558	737,767
<b>Total revenues</b>	<u>31,989,171</u>	<u>4,643,427</u>	<u>4,064,293</u>	<u>40,696,891</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,644,024	-	1,157,618	14,801,642
Special education	2,083,064	-	848,353	2,931,417
Other instruction	1,179,096	-	8,590	1,187,686
Support services:				
Pupil	1,487,396	-	142,150	1,629,546
Instructional staff	2,204,050	-	186,264	2,390,314
Board of Education	60,014	-	-	60,014
Administration	2,197,542	-	17,470	2,215,012
Fiscal	1,221,257	65,813	22,932	1,310,002
Business	802	-	-	802
Operation and maintenance of plant	2,744,625	-	45,237	2,789,862
Pupil transportation	2,858,037	-	10,023	2,868,060
Central	226,896	-	750	227,646
Non-instructional services:				
Extracurricular activities	632,140	-	181,262	813,402
Community service	56,162	-	55,665	111,827
Food service	-	-	1,157,243	1,157,243
Capital outlay	11,800	-	2,603,564	2,615,364
Debt Service:				
Principal	-	1,620,000	168,000	1,788,000
Interest and fiscal charges	-	2,549,491	112,800	2,662,291
Bond issuance costs	-	44,458	-	44,458
<b>Total expenditures</b>	<u>30,606,905</u>	<u>4,279,762</u>	<u>6,717,921</u>	<u>41,604,588</u>
Excess of revenues over (under) expenditures	<u>1,382,266</u>	<u>363,665</u>	<u>(2,653,628)</u>	<u>(907,697)</u>
<b>Other financing sources (uses):</b>				
Issuance of bonds	-	1,490,000	-	1,490,000
Premium on sale of bonds	-	113,358	-	113,358
Payment to escrow	-	(1,558,900)	-	(1,558,900)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>44,458</u>	<u>-</u>	<u>44,458</u>
Net change in fund balance	1,382,266	408,123	(2,653,628)	(863,239)
Fund balance, beginning of year	<u>19,505,379</u>	<u>3,633,119</u>	<u>6,870,522</u>	<u>30,009,020</u>
Fund balance, end of year	<u>\$ 20,887,645</u>	<u>4,041,242</u>	<u>4,216,894</u>	<u>29,145,781</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2013

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(863,239)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		2,633,524
Depreciation expense		(2,120,085)
Principal paid and refunding of long-term debt is recorded as expenditures in the governmental funds, but are recorded as a reduction of the long-term liability in the statement of net position.		3,278,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		424
Accretion on capital appreciation bonds is recorded each year as interest expense in the statement of activities.		(35,084)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences		68,448
Amortization of bond premiums		187,789
Amortization of deferred charges		(36,657)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,748,251)
Issuance of bonds provide current financial resources to governmental funds, whereas a liabilities are recorded on the statement of net position.		(1,490,000)
Premiums on issuance of bonds are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(113,358)
Issuance costs on issuance of bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		<u>44,458</u>
Change in Net Position of Governmental Activities	\$	<u>(194,031)</u>

# TALAWANDA SCHOOL DISTRICT, OHIO

## Statement of Net Position

### Fiduciary Funds

June 30, 2013

		Private- Purpose Trusts	Agency Funds
<b>Assets:</b>			
Equity in pooled cash and investments	\$	<u>16,373</u>	<u>109,586</u>
Total assets		<u><u>16,373</u></u>	<u><u>109,586</u></u>
<b>Liabilities:</b>			
Due to student groups		-	89,565
Due to others		<u>2,000</u>	<u>20,021</u>
Total liabilities		<u><u>2,000</u></u>	<u><u>109,586</u></u>
<b>Net Position:</b>			
Held in trust	\$	<u><u>14,373</u></u>	

See accompanying notes to the basic financial statements.

# TALAWANDA SCHOOL DISTRICT, OHIO

## Statement of Changes in Net Position

### Fiduciary Funds

Year Ended June 30, 2013

		<u>Private- Purpose Trusts</u>
<b>Additions:</b>		
Contributions	\$	<u>1,290</u>
Total additions		<u>1,290</u>
<b>Deductions:</b>		
Community gifts, awards and scholarships	\$	<u>3,200</u>
Total deductions		<u>3,200</u>
Change in net position		(1,910)
Net position, beginning of year		<u>16,283</u>
Net position, end of year	\$	<u><u>14,373</u></u>

See accompanying notes to the basic financial statements.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Talawanda School District, Ohio (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

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



**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**B. Basis of Presentation**

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

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

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

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

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**C. Fund Accounting**

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

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

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

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

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

**D. Basis of Accounting**

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

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

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

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

***Deferred Revenue.*** Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2013 which are intended to finance fiscal year 2014 operations have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**E. Cash and Investments**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. During fiscal year 2013, the School District's investments were limited to US Treasury notes, US Money market funds, US Agency securities and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2013 at fair value.

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

**F. Prepays**

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

**G. Inventory**

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**H. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

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

**I. Compensated Absences**

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

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

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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

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

**K. Fund Balances**

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

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

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

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

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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

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

**L. Restricted Assets**

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

**M. Net Position**

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

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

**N. Estimates**

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**2. DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;



**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$23,089,739 of the School District's bank balance of \$23,339,739 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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Investments

The School District's investments at June 30, 2013 are summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
STAR Ohio	\$ 187,486	n/a	2.33%
U.S. Money Market Funds	46,899	n/a	0.58%
FFC	325,006	1.38	4.04%
FHLB	3,423,256	0.88	42.50%
FNMA	1,403,924	1.68	17.43%
FHLMC	2,417,708	0.38	30.02%
U.S. Treasuries	<u>249,666</u>	1.87	<u>3.10%</u>
	<u>\$ 8,053,945</u>		<u>100.00%</u>

*Credit Risk.* It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments in FFC, FHLB, FNMA, and FHLMC were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in STAR Ohio were rated AAAm by Standard & Poor's.

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

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**3. PROPERTY TAXES**

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amounts available as advances at June 30, 2013, were \$461,638 in the General Fund, \$123,653 in the Debt Service Fund, and \$42,419 in the Other Governmental Funds.

The assessed values upon which fiscal year 2013 taxes were collected are:

	<u>2012 Second- Half Collections</u>		<u>2013 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 635,059,360	93.08%	630,253,300	93.16%
Tangible Personal Property	<u>47,220,550</u>	6.92%	<u>46,264,120</u>	6.84%
Total Assessed Value	\$ <u>682,279,910</u>	100.00%	<u>676,517,420</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$56.13		\$56.13

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**4. INCOME TAXES**

In November 2004, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2013, the School District recorded income tax revenue of \$5,752,075 in the entity-wide financials and a receivable as of June 30, 2013 of \$2,459,583.

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance 7/1/12	Additions	Disposals	Balance 6/30/13
<b>Governmental Activities</b>				
<b>Nondepreciable:</b>				
Land	\$ 2,560,594	-	-	2,560,594
Construction in progress	40,351,939	2,547,767	(40,351,939)	2,547,767
	<u>42,912,533</u>	<u>2,547,767</u>	<u>(40,351,939)</u>	<u>5,108,361</u>
<b>Depreciable:</b>				
Land improvements	2,218,203	-	-	2,218,203
Buildings and improvements	33,929,504	40,351,939	-	74,281,443
Vehicles	479,811	-	-	479,811
Equipment and furniture	8,015,063	85,757	-	8,100,820
Educational media	1,253,844	-	-	1,253,844
Subtotal	<u>45,896,425</u>	<u>40,437,696</u>	<u>-</u>	<u>86,334,121</u>
Totals at historical cost	<u>88,808,958</u>	<u>42,985,463</u>	<u>(40,351,939)</u>	<u>91,442,482</u>
Less accumulated depreciation:				
Land improvements	1,642,474	83,281	-	1,725,755
Buildings and improvements	20,096,600	1,646,270	-	21,742,870
Vehicles	462,322	4,377	-	466,699
Equipment and furniture	7,213,147	386,157	-	7,599,304
Educational media	1,253,844	-	-	1,253,844
Total accumulated depreciation	<u>30,668,387</u>	<u>2,120,085</u>	<u>-</u>	<u>32,788,472</u>
Capital assets, net	<u>\$ 58,140,571</u>	<u>40,865,378</u>	<u>(40,351,939)</u>	<u>58,654,010</u>

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,643,138
Special education	30,113
Support services:	
Pupil	8,600
Instructional staff	9,768
Administration	13,354
Fiscal	4,827
Operation and maintenance of plant	279,085
Pupil transportation	7,228
Community service	3,598
Extracurricular activities	46,407
Food service	<u>73,967</u>
Total depreciation expense	\$ <u>2,120,085</u>

**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District participated in the Ohio School Plan, a risk sharing pool (Note 14) for liability, property, auto, and crime insurance to address these various types of risk. Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

**7. PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were approximately \$469,000, \$480,000, and \$468,000, respectively; 84% has been contributed for 2013 and 100% for fiscal years 2012 and 2011.

### **State Teachers Retirement System**

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

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

DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service credit over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

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

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

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

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions to STRS Ohio for the years ended June 30, 2013, 2012, and 2011 were approximately \$2,056,000, \$2,159,000, and \$2,091,000, respectively; 83% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011. The unpaid contribution for fiscal year 2013 is recorded as a liability within the respective funds.

**Social Security System**

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

**8. POSTEMPLOYMENT BENEFITS**

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2013, 2012, and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011 were approximately \$147,000, \$154,000, and \$149,000, respectively; 83% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.



**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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SERS administers two postemployment benefit plans:

*Medicare Part B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocated a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. The School District contributions for the years ended June 30, 2013, 2012, and 2011 were approximately \$25,000, \$26,000, and \$25,000, respectively; 84% has been contributed for 2013 and 100% for fiscal years 2012 and 2011.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate was the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$5,000, \$19,000, and \$48,000, respectively; 84% has been contributed for 2013 and 100% for fiscal years 2012 and 2011.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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

**9. EMPLOYEE BENEFITS**

**Compensated Absences**

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 7/1/12	Additions	Reductions	Principal Outstanding 6/30/13	Amounts Due in One Year
<i>Governmental Activities:</i>					
Series 2004 GO School Improvement Bonds:					
Serial and term bonds	\$ 2,010,000	-	(1,745,000)	265,000	265,000
Unamortized premiums	158,527	-	(137,627)	20,900	-
Series 2007 GO Refunding Bonds:					
Serial and term bonds	5,240,000	-	(50,000)	5,190,000	50,000
Capital appreciation bonds	55,000	-	-	55,000	-
Bond accretion	95,376	35,084	-	130,460	-
Series 2009 School Improvement Bonds:					
Serial and term bonds	41,365,000	-	(1,315,000)	40,050,000	1,370,000
Unamortized premiums	844,583	-	(48,264)	796,319	-
Series 2013 GO Refunding Bonds:					
Serial bonds	-	1,490,000	-	1,490,000	280,000
Unamortized premiums	-	113,358	(1,898)	111,460	-
Lease-purchase agreements	2,231,000	-	(168,000)	2,063,000	174,000
Compensated absences	1,939,358	175,939	(234,853)	1,880,444	231,977
Total	\$ 53,938,844	1,814,381	(3,700,642)	52,052,583	2,370,977

*General Obligation School Improvement Bonds* - The School District issued \$9,214,680 in Series 2004 general obligation bonds for the purpose of school improvements. The remaining serial bonds pay interest at 4% and will fully mature on December 1, 2014.

The School District issued \$5,470,000 in Series 2007 general obligation refunding bonds that refunded a portion of the Series 2004 bonds. The refunded bonds pay interest at rates ranging from 4% to 4.5% and will fully mature on December 1, 2030.

The School District issued \$46,049,699 in Series 2009 general obligation school improvement bonds for the purpose of construction of a new high school. This issuance includes \$35,610,000 in Building America Bonds that are eligible to receive subsidy payments from the federal government equal to 35% of the corresponding interest payments. The bonds pay interest at rates ranging from 1.5% to 6.5% and will fully mature on December 1, 2029.

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

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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

Principal and interest requirements to retire the general obligations bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2014	\$	1,965,000	2,540,249	4,505,249
2015		1,765,000	2,432,089	4,197,089
2016		1,975,000	2,359,589	4,334,589
2017		2,005,000	2,279,985	4,284,985
2018		2,090,000	2,192,628	4,282,628
2019-2023		12,020,000	9,324,260	21,344,260
2024-2028		7,635,000	5,345,450	12,980,450
2029-2031		17,595,000	579,351	18,174,351
Total	\$	<u>47,050,000</u>	<u>27,053,601</u>	<u>74,103,601</u>

*Lease-purchase Agreements* – During 2005, the Board authorized financing in the amount of \$614,000 for HVAC upgrades and the acquisition of land for the new elementary school with a lease-purchase agreement through the Ohio Association of School Business Official’s Expanded Asset Pooled Financing Program. During 2006, the Board authorized financing in the amount of \$2,593,000 for the construction of a new elementary school with a lease-purchase agreement through the Ohio Association of School Business Official’s Expanded Asset Pooled Financing Program. The future minimum payments for both lease-purchase agreements as of June 30, 2013 were as follows:

Fiscal Year Ending June 30,		
2014	\$	271,535
2015		207,416
2016		207,559
2017		207,412
2018		207,952
2019-2023		1,042,620
2024-2026		<u>628,785</u>
Total		2,773,279
Less amount representing interest		<u>(710,279)</u>
Present value of minimum lease payments	\$	<u>2,063,000</u>

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid primarily by the General Fund. Lease-purchase agreements will be paid from the Permanent Improvement Fund.

**11. FUND BALANCES**

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

Fund Balances	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>				
Inventory	\$ -	-	22,779	22,779
Prepays	98,905	-	-	98,905
<b><i>Total Nonspendable</i></b>	<b>98,905</b>	<b>-</b>	<b>22,779</b>	<b>121,684</b>
<b><i>Restricted for</i></b>				
Food Service Operations	-	-	287,750	287,750
Scholarships	-	-	123,592	123,592
Athletics	-	-	70,634	70,634
Other Purposes	-	-	15,953	15,953
Debt Service Payments	-	4,041,242	-	4,041,242
Capital Improvements	-	-	3,782,622	3,782,622
<b><i>Total Restricted</i></b>	<b>-</b>	<b>4,041,242</b>	<b>4,280,551</b>	<b>8,321,793</b>
<b><i>Assigned to</i></b>				
Public School Support	149,558	-	-	149,558
Purchases on Order	197,292	-	-	197,292
Budgetary Resource	422,267	-	-	422,267
<b><i>Total Assigned</i></b>	<b>769,117</b>	<b>-</b>	<b>-</b>	<b>769,117</b>
<b><i>Unassigned (Deficit)</i></b>	<b>20,019,623</b>	<b>-</b>	<b>(86,436)</b>	<b>19,933,187</b>
<b><i>Total Fund Balance</i></b>	<b>\$ 20,887,645</b>	<b>4,041,242</b>	<b>4,216,894</b>	<b>29,145,781</b>

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**12. FUND BALANCE DEFICITS**

At June 30, 2013, the following funds had a deficit fund balance:

Other Governmental Funds:		
IDEA, Part B Fund	\$	62,851
Title I Grant Fund		13,368
Improving Teacher Quality Grant Fund		10,217

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

**13. JOINTLY GOVERNED ORGANIZATIONS**

*Butler Technology and Career Development Schools*

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

*Southwestern Ohio Computer Association*

The Southwestern Ohio Computer Association (SWOCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**14. INSURANCE PURCHASING POOLS**

*Butler Health Plan*

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

*Ohio School Plan*

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

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

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

**15. CONTINGENCIES**

**Federal and State Funding**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**Litigation**

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

**16. REQUIRED SET-ASIDES**

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

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

		<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2012	\$	-	275,990
Current year set-aside requirement		525,124	-
Current year qualifying expenditures		(679,497)	-
Excess qualified expenditures from prior years		<u>-</u>	<u>-</u>
Total		<u>(154,373)</u>	<u>275,990</u>
Set-aside reserve balance as of June 30, 2013	\$	<u>-</u>	<u>275,990</u>

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

**17. COMMITMENTS**

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2013, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$	250,196
Other Governmental Funds		<u>543,054</u>
	\$	<u>793,250</u>



**TALAWANDA SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**18. CHANGE IN ACCOUNTING PRINCIPLES**

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statement No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position.

# **REQUIRED SUPPLEMENTARY INFORMATION**

## TALAWANDA SCHOOL DISTRICT, OHIO

Schedule of Revenues, Expenditures and Changes in Fund

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

General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	\$ 19,618,530	20,189,147	20,384,638	195,491
Tuition and fees	940,006	1,203,911	1,215,568	11,657
Interest	51,508	21,718	21,928	210
Intergovernmental	9,416,487	9,492,519	9,584,435	91,916
Other local revenues	118,308	234,173	236,441	2,268
<b>Total revenues</b>	<u>30,144,839</u>	<u>31,141,468</u>	<u>31,443,010</u>	<u>301,542</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	14,058,030	13,812,485	13,524,665	287,820
Special education	2,057,862	2,123,989	2,084,538	39,451
Other instruction	1,203,048	1,234,472	1,209,156	25,316
Support services:				
Pupil	1,611,843	1,455,855	1,426,285	29,570
Instructional staff	2,345,945	2,244,208	2,196,031	48,177
Board of Education	65,537	64,744	63,372	1,372
Administration	2,378,955	2,217,092	2,163,038	54,054
Fiscal	1,158,341	1,259,136	1,228,467	30,669
Business	20	837	802	35
Operation and maintenance of plant	2,935,205	2,928,073	2,837,029	91,044
Pupil transportation	2,574,342	2,990,484	2,905,217	85,267
Central	229,583	231,369	226,349	5,020
Non-instructional services:				
Community services	41,060	57,204	56,161	1,043
Extracurricular activities	593,003	617,375	606,117	11,258
Capital outlay	2,000	12,019	11,800	219
<b>Total expenditures</b>	<u>31,254,774</u>	<u>31,249,342</u>	<u>30,539,027</u>	<u>710,315</u>
Excess of revenues over (under) expenditures	(1,109,935)	(107,874)	903,983	1,011,857
<b>Other financing sources (uses):</b>				
Advances in	23,224	4,599	4,599	-
Advances out	-	(14,612)	(14,612)	-
Other financing sources	-	68,918	68,918	-
<b>Total other financing sources (uses)</b>	<u>23,224</u>	<u>58,905</u>	<u>58,905</u>	<u>-</u>
Net change in fund balance	(1,086,711)	(48,969)	962,888	1,011,857
Fund balance, beginning of year	19,879,791	19,879,791	19,879,791	
Prior year encumbrances appropriated	143,064	143,064	143,064	
Fund balance, end of year	\$ <u>18,936,144</u>	<u>19,973,886</u>	<u>20,985,743</u>	

See accompanying notes to required supplementary information.

## TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information

Year Ended June 30, 2013

### **Budgetary Process**

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

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

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

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

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

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

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

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

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

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

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

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 1,382,266
Increase / (decrease):	
Due to inclusion of Uniform School Supply Fund	8,758
Due to inclusion of Public School Support Fund	(12,554)
Due to revenues	(274,705)
Due to expenditures	47,972
Due to other sources (uses)	58,905
Due to encumbrances	<u>(247,754)</u>
Net change in fund balance - Budget Basis	\$ <u>962,888</u>

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# Talawanda City School District



## Single Audit Reports

June 30, 2013

**TALAWANDA CITY SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$125,732	\$0	\$125,732	\$0
National School Lunch Program	3L60	10.555	449,391	64,506	449,391	64,506
Total Nutrition Cluster			575,123	64,506	575,123	64,506
Total U.S. Department of Agriculture			575,123	64,506	575,123	64,506
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	602,275	0	602,729	0
Special Education-Preschool Grants	3C50	84.173	8,616	0	8,788	0
Total Special Education Cluster			610,891	0	611,517	0
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	449,437	0	455,870	0
Total Title I Cluster			449,437	0	455,870	0
English Language Acquisition Grants	3Y70	84.365	19,493	0	20,556	0
Improving Teacher Quality	3Y60	84.367	121,486	0	116,905	0
Race to the Top Fund - ARRA	3FD0	84.395	86,372	0	99,686	0
Education Jobs Fund	3ET0	84.410	78,988	0	79,769	0
Total Department of Education			1,366,667	0	1,384,303	0
Total Federal Assistance			\$1,941,790	\$64,506	\$1,959,426	\$64,506

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.



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

To the Board of Education  
Talawanda City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talawanda City School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2013.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 31, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education  
Talawanda City School District

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

We have audited the Talawanda City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 31, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*  
Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 31, 2013

**TALAWANDA CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**Section I – Summary of Auditor’s Results**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were the any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list): Nutrition Cluster: School Breakfast Program -CFDA# 10.553 National School Lunch Program -CFDA# 10.555 Title I Cluster: Title I Grants to Local Educational Agencies -CFDA# 84.010	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

**Section III – Federal Award Findings and Questioned Costs**

None

**TALAWANDA CITY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
***OMB CIRCULAR A-133***  
**June 30, 2013**

The Talawanda City School District had no prior audit findings or questioned costs.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURE**

To the Board of Education  
Talawanda City School District

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

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

1. We noted the Board amended its anti-harassment policy on February 11, 2013 to include harassment, intimidation or bullying of any student "on a school bus" or by an "electronic act."

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

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

*Plattenburg & Associates, Inc.*  
Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 31, 2013

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# Dave Yost • Auditor of State

**TALAWANDA SCHOOL DISTRICT**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 13, 2014**