

TALAWANDA SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2010

With Accountant's Compilation Report

TABLE OF CONTENTS

Accountants' Compilation Report.....	1	
Management's Discussion and Analysis	3-11	
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Assets	12	
Statement of Activities	13	
Fund Financial Statements		
Balance Sheet – Governmental Funds	14-15	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16-17	
Statement of Fiduciary Net Assets – Fiduciary Funds	18	
Statement of Changes in Net Assets – Fiduciary Funds.....	19	
Notes to Basic Financial Statements	20-43	
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) - General Fund		46
Notes to the Required Supplementary Information	47-49	

To the Board of Education
Talawanda School District:

We have compiled the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Talawanda School District as of and for the year ended June 30, 2010 which collectively comprise the School District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis and budgetary comparison information, on pages 3 through 11 and 46 through 49, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 29, 2010

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TALAWANDA SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) Year Ended June 30, 2010

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, 2010. 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 2010 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$28,133,232. Of this amount, \$14,044,013 may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net assets increased by \$3,520,424.
- ✓ The School District had \$35,588,613 in expenses related to governmental activities; only \$4,528,718 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$34,580,319, made up primarily of property and income taxes as well as State Foundation payments, was used to provide for these programs.
- ✓ The General Fund balance increased by \$1,674,322 from \$12,537,159 at June 30, 2009 to \$14,211,481 at June 30, 2010.

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
Year Ended June 30, 2010
Unaudited

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 assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2010
Unaudited

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual governmental funds. The most significant funds, known as major funds, are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. The School District has three major funds: the General Fund, the Debt Service Fund, and the Building Construction 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. The combining statements for nonmajor governmental funds are presented immediately following the required supplementary information.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2010
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2010 and 2009:

Governmental Activities

		<u>FY10</u>	<u>FY09</u>
Current and other assets	\$	83,567,934	49,871,189
Capital assets		<u>27,437,532</u>	<u>22,418,789</u>
Total assets		<u>111,005,466</u>	<u>72,289,978</u>
Long-term liabilities outstanding		57,427,562	13,207,170
Other liabilities		<u>25,444,672</u>	<u>34,470,000</u>
Total liabilities		<u>82,872,234</u>	<u>47,677,170</u>
Net assets:			
Invested in capital assets, net of debt		11,185,965	9,065,176
Restricted:			
For capital projects		90,422	2,334,673
For debt service		2,448,652	2,448,779
For other purposes		364,180	258,848
Unrestricted		<u>14,044,013</u>	<u>10,505,332</u>
Total net assets	\$	<u><u>28,133,232</u></u>	<u><u>24,612,808</u></u>

A large portion of the School District's net assets (40%) 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 assets (\$14,044,013) may be used to meet the government's ongoing obligations to citizens and creditors.

In October 2009, the School District issued \$46 million in Series 2009 school improvement bonds to finance the construction of a new high school building. Current assets increased by approximately \$34 million primarily due to the remaining bond proceeds in cash and investments. Capital assets increased by \$5 million due to the ongoing construction of the new high school building. Long-term liabilities increased by \$44 million due to the aforementioned bond issuance, net of the first principal payment made on these bonds during the fiscal year. The School District paid off its \$10 million in outstanding bond anticipation notes during the year, leading to the decrease in other liabilities.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2010
Unaudited

B. Governmental Activities during fiscal year 2010

The following table presents a condensed summary of the School District's activities during fiscal year 2010 and 2009 and the resulting change in net assets:

	FY10	FY09
Revenues:		
Program revenues:		
Charges for services and sales	\$ 1,765,045	1,882,534
Operating grants and contributions	2,763,673	1,679,305
Capital grants and contributions	-	42,116
Total program revenues	4,528,718	3,603,955
General revenues:		
Taxes	22,335,749	21,182,623
Grants and entitlements	11,566,756	11,358,072
Investment earnings	290,843	388,995
Miscellaneous	386,971	478,193
Total general revenues	34,580,319	33,407,883
Total revenues	39,109,037	37,011,838
Expenses:		
Instruction	18,910,383	18,684,702
Support services:		
Pupil	1,783,664	1,866,070
Instructional staff	2,096,062	1,947,019
Board of Education	56,906	62,513
Administration	2,252,631	2,172,472
Fiscal	1,288,612	1,193,338
Business	1,330	4,663
Operation and maintenance of plant	3,243,731	3,067,060
Pupil transportation	2,332,428	2,070,601
Central	100,370	116,155
Non-instructional services	794,801	822,059
Interest on long-term debt	1,647,820	544,786
Food services	1,079,875	1,158,780
Total expenses	35,588,613	33,710,218
Change in net assets	\$ 3,520,424	3,301,620

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2010
Unaudited

Of the total governmental activities revenues of \$39,109,037, \$4,528,718 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$22,335,749 (65%) comes from property and income taxes and \$11,566,756 (33%) 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 grew by about 6% during the current year, with most of that increase coming from operating grants and contributions and taxes. The increase in operating grants and contributions was largely due to additional funding under the American Reinvestment and Recovery Act of 2009. The increase in taxes was due to the School District benefiting from a full year to collect the property taxes from the 4.7 mill bond levy that was passed in November 2008. Total expenditures increased by 6%, largely due to the first interest payment made on Series 2009 school improvement bonds.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 13% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$18,910,383 but program revenue contributed to fund 13% of those costs. Thus, general revenues of \$16,506,037 were used to support the remainder of the instruction costs.

Governmental Activities

	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 18,910,383	2,404,346	13%	16,506,037
Support services	13,155,734	853,575	6%	12,302,159
Non-instructional services	794,801	138,819	17%	655,982
Food service	1,079,875	1,131,978	105%	(52,103)
Interest on long-term debt	<u>1,647,820</u>	<u>-</u>	0%	<u>1,647,820</u>
Total	\$ <u>35,588,613</u>	<u>4,528,718</u>	<u>13%</u>	<u>31,059,895</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2010
Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Building Construction Fund. Assets of these funds comprise \$79,093,010 (95%) of the total \$82,918,878 governmental funds assets.

General Fund. Fund balance at June 30, 2010 was \$14,211,481, including \$13,598,950 of unreserved balance, which represents 48% of expenditures for fiscal year 2010. Overall, revenues exceeded expenditures by approximately \$1,674,000, which is comparable to the prior fiscal year.

Debt Service Fund. The Debt Service Fund had a fund balance at June 30, 2010 of \$2,533,009, an increase of \$99,026, or 4%, 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.

Building Construction Fund. The Building Construction Fund had a fund balance at June 30, 2010 of \$37,659,105, an increase of \$39,679,259 over the prior fiscal year, due to receiving \$46 million in proceeds from the issuance of the Series 2009 school improvement bonds to finance the construction of the new high school building.

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. Significant differences between the original and final budget are as follows:

Total budgeted revenues only decreased by less than 1.0% from the original to the final budgets. Total budgeted expenditures decreased 4.9% from the original to the final budgets. The decreases were due to lower than expected salary and related benefit increases and lower diesel fuel prices.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2010
Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2010, the School District had \$27,437,532 invested in a broad range of capital assets, including land, buildings, equipment, vehicles, and construction in progress. See Note 7 to the financial statements for more detail.

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

	<u>FY10</u>	<u>FY09</u>
Land	\$ 2,560,594	2,560,594
Construction in progress	7,600,389	1,391,557
Land improvements	343,646	384,004
Buildings and improvements	15,561,853	17,202,000
Furniture and equipment	1,334,579	825,690
Vehicles	<u>36,471</u>	<u>54,944</u>
Total	<u>\$ 27,437,532</u>	<u>22,418,789</u>

The School District continued construction on a new high school during the fiscal year, leading to the increase in capital assets.

Debt. As of June 30, 2010, the School District had outstanding in general obligation bonds, including \$46,049,669 that was issued in October 2009 to finance the construction of the new high school building. See Note 13 to the financial statements.

ECONOMIC FACTORS

A challenge facing the School District is the future of state funds. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2010
Unaudited

School funding continues to be a complex and unstable issue for Ohio school districts. Last year, Ohio passed House Bill 1, which replaced the traditional pupil based funding calculation for public schools with the Evidence-Based Model formula that purports to fund schools based on educational requirements determined by the Ohio Department of Education. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the impact of the new model is unclear with uncertainty surrounding Ohio's projected budget deficit for the next biennial budget.

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 produce a balanced budget through the 2013-14 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 at the middle school and high school level for 2005-06. Also, the Talawanda Board of Education voted to accept open enrollment at the elementary schools in 2006-07 with the opening of the new elementary school. Revenue from open enrollment totaled \$349,000 for fiscal year 2010.

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 189,000 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

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 Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 59,313,657
Cash with escrow agents	46,580
Receivables:	
Taxes	22,858,599
Accounts	14,071
Intergovernmental	192,901
Interest	245,952
Supplies inventory	23,790
Restricted assets	223,328
Deferred charges	649,056
Nondepreciable capital assets	10,160,983
Depreciable capital assets, net	<u>17,276,549</u>
Total assets	<u>111,005,466</u>
Liabilities:	
Accounts payable	1,663,594
Accrued wages and benefits	3,069,005
Pension obligation payable	806,053
Unearned revenue	19,742,216
Accrued interest payable	163,804
Noncurrent liabilities:	
Due within one year	1,752,026
Due within more than one year	<u>55,675,536</u>
Total liabilities	<u>82,872,234</u>
Net Assets:	
Invested in capital assets, net of related debt	11,185,965
Restricted for:	
Capital projects	90,422
Debt service	2,448,652
Other purposes	364,180
Unrestricted	<u>14,044,013</u>
Total net assets	\$ <u><u>28,133,232</u></u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Activities

Year Ended June 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 14,828,992	1,051,259	146,945	\$ (13,630,788)
Special education	3,041,470	-	1,197,422	(1,844,048)
Other instruction	1,039,921	-	8,720	(1,031,201)
Support services:				
Pupil	1,783,664	-	137,540	(1,646,124)
Instructional staff	2,096,062	-	157,027	(1,939,035)
Board of Education	56,906	-	-	(56,906)
Administration	2,252,631	-	4,504	(2,248,127)
Fiscal	1,288,612	-	-	(1,288,612)
Business	1,330	-	-	(1,330)
Operation and maintenance of plant	3,243,731	-	-	(3,243,731)
Pupil transportation	2,332,428	-	554,504	(1,777,924)
Central	100,370	-	-	(100,370)
Non-instructional services:				
Extracurricular activities	667,178	92,246	-	(574,932)
Community service	127,623	-	46,573	(81,050)
Food service	1,079,875	621,540	510,438	52,103
Interest on long-term debt	1,647,820	-	-	(1,647,820)
Total Governmental Activities	\$ 35,588,613	1,765,045	2,763,673	(31,059,895)
 General Revenues:				
Property taxes, levied for general purposes				12,498,724
Property taxes, levied for debt services				3,398,287
Property taxes, levied for capital projects				1,162,120
Income taxes				5,276,618
Grants and entitlements not restricted to specific programs				11,566,756
Investment earnings				290,843
Miscellaneous				386,971
Total general revenues				34,580,319
Change in net assets				3,520,424
Net assets beginning of year				24,612,808
Net assets end of year				\$ 28,133,232

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2010

	General	Debt Service Fund	Building Construction Fund	Other Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 15,646,193	2,460,377	38,905,275	2,301,812
Restricted cash	223,328	-	-	-
Cash with escrow agents	-	-	46,580	-
Receivables:				
Taxes	17,562,445	3,946,161	-	1,349,993
Accounts	13,511	-	-	560
Accrued interest	45,348	-	200,604	-
Intergovernmental	43,188	-	-	149,713
Supplies inventory	-	-	-	23,790
Total assets	<u>33,534,013</u>	<u>6,406,538</u>	<u>39,152,459</u>	<u>3,825,868</u>
Liabilities:				
Accounts payable	235,041	-	1,370,284	58,269
Accrued wages and benefits	2,809,702	-	-	259,303
Pension obligation payable	765,403	-	-	40,650
Deferred revenue	<u>15,512,386</u>	<u>3,873,529</u>	<u>123,070</u>	<u>1,470,959</u>
Total liabilities	<u>19,322,532</u>	<u>3,873,529</u>	<u>1,493,354</u>	<u>1,829,181</u>
Fund Balances:				
Reserved for:				
Encumbrances	128,545	-	28,751,502	67,164
Budget stabilization	202,876	-	-	-
Textbooks set-aside	20,452	-	-	-
Property taxes	260,658	72,632	-	24,747
Debt service	-	2,460,377	-	-
Unreserved, reported in:				
General Fund	13,598,950	-	-	-
Special Revenue Funds	-	-	-	696,363
Capital Projects Funds	-	-	8,907,603	1,184,623
Total fund balances	<u>14,211,481</u>	<u>2,533,009</u>	<u>37,659,105</u>	<u>1,972,897</u>
Total liabilities and fund balances	\$ <u>33,534,013</u>	<u>6,406,538</u>	<u>39,152,459</u>	<u>3,802,078</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2010

Total Governmental Funds	
59,313,657	Total Governmental Fund Balances
223,328	\$ 56,376,492
46,580	Amounts reported for governmental activities in the statement of net assets are different because:
22,858,599	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.
14,071	27,437,532
245,952	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.
192,901	1,237,728
23,790	Deferred charges are not reported in the funds.
82,918,878	649,056
1,663,594	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:
3,069,005	General obligation bonds
806,053	51,525,000
20,979,944	Unamortized premiums
26,518,596	1,126,422
28,947,211	Bond accretion
202,876	43,872
20,452	Compensated absences
358,037	2,180,268
2,460,377	Lease-purchase agreement
13,598,950	2,552,000
696,363	Accrued interest payable
10,092,226	163,804
56,376,492	Total
82,895,088	(57,591,366)
82,895,088	Net Assets of Governmental Activities
82,895,088	\$ <u>28,109,442</u>

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2010

	General	Debt Service Fund	Building Construction Fund	Other Governmental Funds
Revenues:				
Taxes	\$ 17,663,484	3,362,055	-	1,150,035
Tuition and fees	903,747	-	-	-
Interest	80,398	4,157	114,935	113
Charges for services	-	-	-	769,052
Intergovernmental	10,996,051	425,205	-	2,763,998
Other local revenues	77,600	-	-	401,617
Total revenues	<u>29,721,280</u>	<u>3,791,417</u>	<u>114,935</u>	<u>5,084,815</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,330,356	-	-	607,561
Special education	1,858,601	-	-	1,184,975
Other instruction	1,031,389	-	-	8,532
Support services:				
Pupil	1,501,729	-	-	264,188
Instructional staff	1,886,913	-	-	187,528
Board of Education	56,906	-	-	-
Administration	2,143,981	-	-	16,755
Fiscal	1,206,631	49,896	-	21,669
Business	1,330	-	-	-
Operation and maintenance of plant	2,631,743	-	-	11,838
Pupil transportation	1,776,925	-	-	537,007
Central	100,370	-	-	-
Non-instructional services:				
Extracurricular activities	518,084	-	-	127,287
Community service	-	-	-	44,752
Food service	-	-	-	1,054,247
Capital outlay	2,000	-	6,485,345	105,700
Debt Service:				
Principal	-	2,644,669	-	153,000
Bond issuance costs	-	537,274	-	-
Interest and fiscal charges	-	1,296,628	129,167	126,850
Total expenditures	<u>28,046,958</u>	<u>4,528,467</u>	<u>6,614,512</u>	<u>4,451,889</u>
Excess of revenues over (under) expenditures	<u>1,674,322</u>	<u>(737,050)</u>	<u>(6,499,577)</u>	<u>632,926</u>
Other financing sources (uses):				
Transfers in	-	-	10,129,167	-
Transfers out	-	(10,129,167)	-	-
Proceeds from sale of bonds	-	10,000,000	36,049,669	-
Premium on sale of bonds	-	965,243	-	-
Total other financing sources (uses)	<u>-</u>	<u>836,076</u>	<u>46,178,836</u>	<u>-</u>
Net change in fund balance	1,674,322	99,026	39,679,259	632,926
Fund balance, beginning of year	12,537,159	2,433,983	(2,020,154)	1,363,761
Fund balance, end of year	\$ <u>14,211,481</u>	<u>2,533,009</u>	<u>37,659,105</u>	<u>1,996,687</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Net Assets

Fiduciary Funds

June 30, 2010

		Private Purpose Trusts	Agency Funds
		<u> </u>	<u> </u>
Assets:			
Equity in pooled cash and investments	\$	<u>9,150</u>	<u>114,364</u>
Total assets		<u><u>9,150</u></u>	<u><u>114,364</u></u>
Liabilities:			
Due to student groups		-	96,291
Due to others		<u>-</u>	<u>18,073</u>
Total liabilities		<u>-</u>	<u><u>114,364</u></u>
Net Assets:			
Held in trust	\$	<u><u>9,150</u></u>	

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2010

		<u>Private- Purpose Trusts</u>
Deductions:		
Community gifts, awards and scholarships	\$	<u>500</u>
Total deductions		<u>500</u>
 Change in net assets		 (500)
 Net assets, beginning of year		 <u>9,650</u>
Net assets, end of year	\$	<u><u>9,150</u></u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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. Private-sector standard of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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 School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Butler Health Plan. These organizations are presented in Notes 14 and 15.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

B. Basis of Presentation

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The 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 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, 2010

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.

Building Construction Fund – The building construction fund accounts for the activity related to the construction of a new high school.

Fiduciary Funds report on net assets and changes in net assets. The School District's fiduciary funds consist of a 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, 2010

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 taxes, grants, entitlements and donations. On an accrual basis, revenue from property 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, 2010 which are intended to finance fiscal year 2011 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, 2010

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 2010, 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, 2010.

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, 2010 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. 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.

G. Capital Assets

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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

H. 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.

I. 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.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

J. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, supplies inventory, debt service, and textbook and budget reserve set-asides.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and a textbook set-aside. Corresponding fund balance reserves has also been established.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets 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 assets are available.

M. 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, 2010

2. DEFICIT FUND BALANCES

At June 30, 2010, the following funds a deficit fund balance:

Other Governmental Funds:	
IDEA, Part B Fund	\$92,289
Title I Fund	\$49,950
Drug Free Schools Fund	\$530
EHA Preschool Handicapped Fund	\$189
Improving Teacher Quality Grant Fund	\$12,849

These deficit 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.

3. 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.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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

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

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.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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, \$12,123,687 of the School District's bank balance of \$12,373,687 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investments at June 30, 2010 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
STAR Ohio	\$ 187,063	n/a	0.39%
U.S. Money Market Funds	915,754	n/a	1.91%
FFC	499,964	0.12	1.04%
FHLB	17,387,442	0.52	36.29%
FNMA	16,588,957	0.80	34.62%
FHLMC	8,919,932	0.30	18.62%
U.S. Treasuries	<u>3,415,586</u>	0.64	<u>7.13%</u>
	<u>\$ 47,914,698</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 AAA 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.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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.

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of the prior January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value listed as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2010. 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, 2010, were \$260,658 in the General Fund, \$72,632 in the Debt Service Fund, and \$24,747 in the Other Governmental Funds.

The assessed values upon which fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 672,278,740	97.62%	642,477,370	96.42%
Tangible Personal Property	<u>16,416,560</u>	2.38%	<u>23,821,070</u>	3.58%
Total Assessed Value	\$ <u><u>688,695,300</u></u>	100.00%	<u><u>666,298,440</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$56.12		\$56.17

5. 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, 2010, the School District recorded income tax revenue of \$5,276,618 in the entity-wide financials and a receivable as of June 30, 2010 of \$2,147,519.

6. TRANSFERS

During the year ended June 30, 2010, the Debt Service Fund made transfers of \$10,129,167 to the Building Construction Fund. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization, or (3) maintain debt service.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance 7/1/09	Additions	Disposals	Transfers	Balance 6/30/10
Governmental Activities					
Nondepreciable:					
Land	\$ 2,560,594	-	-	-	2,560,594
Construction in progress	1,391,557	6,208,832	-	-	7,600,389
	<u>3,952,151</u>	<u>6,208,832</u>	<u>-</u>	<u>-</u>	<u>10,160,983</u>
Depreciable:					
Land improvements	1,820,592	-	-	28,784	1,849,376
Buildings and improvements	34,749,117	-	-	(819,613)	33,929,504
Vehicles	479,811	-	-	-	479,811
Equipment and furniture	6,694,750	234,523	-	790,829	7,720,102
Educational media	1,253,844	-	-	-	1,253,844
Subtotal	<u>44,998,114</u>	<u>234,523</u>	<u>-</u>	<u>-</u>	<u>45,232,637</u>
Totals at historical cost	<u>48,950,265</u>	<u>6,443,355</u>	<u>-</u>	<u>-</u>	<u>55,393,620</u>
Less accumulated depreciation:					
Land improvements	1,436,588	68,662	-	480	1,505,730
Buildings and improvements	17,547,117	866,861	-	(46,327)	18,367,651
Vehicles	424,867	18,473	-	-	443,340
Equipment and furniture	5,869,060	470,616	-	45,847	6,385,523
Educational media	<u>1,253,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,253,844</u>
Total accumulated depreciation	<u>26,531,476</u>	<u>1,424,612</u>	<u>-</u>	<u>-</u>	<u>27,956,088</u>
Capital assets, net	<u>\$ 22,418,789</u>	<u>5,018,743</u>	<u>-</u>	<u>-</u>	<u>27,437,532</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	857,581
Special education		29,462
Support services:		
Pupil		7,406
Instructional staff		17,225
Administration		65,864
Fiscal		6,294
Operation and maintenance of plant		287,963
Pupil transportation		18,496
Community service		87,324
Extracurricular activities		21,807
Food service		<u>25,190</u>
Total depreciation expense	\$	<u><u>1,424,612</u></u>

8. 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 2010, the School District participated in the Ohio School Plan, a risk sharing pool (Note 15) 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.

9. 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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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 the fiscal year ended June 30, 2010, the allocation to pension and death benefits was 12.78%. The remaining 1.22% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were approximately \$555,009, \$557,000, and \$549,000, respectively; 30% has been contributed for 2010 and 100% for fiscal years 2009 and 2008.

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 31st 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, 2010

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, 2010

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, 2010, 2009, and 2008 were approximately \$2,147,000, \$2,091,000, and \$2,012,000, respectively; 84% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 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.

10. 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 benefit recipients, 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, 2010, 2009, and 2008. 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, 2010, 2009, and 2008 were approximately \$153,000, \$149,000, and \$144,000, respectively; 84% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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 premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 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 2010, the actuarially required allocation was 0.76%. The School District contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were approximately \$30,000, \$30,000, and \$27,000, respectively; 30% has been contributed for 2010 and 100% for fiscal years 2009 and 2008.

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 fiscal year ended June 30, 2010, the health care allocation was 0.46%. 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 2010, the minimum compensation level was established at \$35,800. 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 years ended June 30, 2010, 2009, and 2008 were \$18,000, \$166,000, and \$135,000, respectively; 30% has been contributed for 2010 and 100% for fiscal years 2009 and 2008.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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.

11. 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.

12. SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended June 30, 2010 follows:

	Principal Outstanding 7/1/09	Additions	Reductions	Principal Outstanding 6/30/10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bond anticipation notes \$	<u>10,000,000</u>	<u>-</u>	<u>(10,000,000)</u>	<u>-</u>

Bond Anticipation Notes - On March 17, 2009, the School District issued \$10,000,000 of bond anticipation notes to begin construction of a new high school. These notes were paid off in January 2010.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 7/1/09	Additions	Reductions	Principal Outstanding 6/30/10	Amounts Due in One Year
<i>Governmental Activities:</i>					
Series 2004 GO School Improvement Bonds:					
Serial and term bonds	\$ 2,725,000	-	(230,000)	2,495,000	240,000
Unamortized premiums	198,703	-	(13,392)	185,311	-
Series 2007 GO Refunding Bonds:					
Serial and term bonds	5,340,000	-	(25,000)	5,315,000	25,000
Capital appreciation bonds	55,000	-	-	55,000	-
Bond accretion	25,168	18,704	-	43,872	-
Series 2009 School Improvement Bonds:					
Serial and term bonds	-	46,049,669	(2,389,669)	43,660,000	1,130,000
Unamortized premiums	-	965,243	(24,132)	941,111	-
Lease-purchase agreements	2,705,000	-	(153,000)	2,552,000	158,000
Compensated absences	2,158,299	399,619	(377,650)	2,180,268	199,026
Total	\$ 13,207,170	47,433,235	(3,212,843)	57,427,562	1,752,026

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 bonds pay interest at rates ranging from 2% to 5% and will fully mature on December 1, 2030.

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.

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

Principal and interest requirements to retire the general obligations bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2011	\$	1,395,000	1,944,302	3,339,302
2012		1,460,000	1,920,190	3,380,190
2013		1,620,000	1,852,049	3,472,049
2014		1,685,000	1,792,970	3,477,970
2015		1,760,000	1,724,070	3,484,070
2016-2020		10,415,000	7,542,501	17,957,501
2021-2025		13,825,000	5,501,801	19,326,801
2026-2030		17,675,000	2,218,987	19,893,987
2031		1,690,000	13,275	1,703,275
Total	\$	<u>51,525,000</u>	<u>24,510,145</u>	<u>76,035,145</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, 2010 were as follows:

Fiscal Year Ending June 30,		
2011	\$	278,248
2012		275,926
2013		273,363
2014		271,535
2015		207,416
2016-2020		1,039,087
2021-2025		1,045,458
2026		<u>209,783</u>
Total		3,600,816
Less amount representing interest		<u>(1,048,816)</u>
Present value of minimum lease payments	\$	<u>2,552,000</u>

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

14. 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.

15. 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.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association (OSBA) 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 OSBA. The Executive Director of the OSBA, 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.

16. CONTINGENCIES

Grants

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

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.

17. 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 purchase of textbooks and other instructional materials and an equal amount 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 and carried forward to be used for the same purposes in future years.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2010

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

		<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2009	\$	-	-	202,876
Current year set-aside requirement		485,036	485,036	-
Current year qualifying expenditures		(439,114)	(575,851)	-
Excess qualified expenditures from prior years		<u>(25,470)</u>	-	-
Total		<u>20,452</u>	<u>(90,815)</u>	<u>202,876</u>
Balance carried forward to FY2011		<u>20,452</u>	-	<u>202,876</u>
Set-aside reserve balance as of June 30, 2010	\$	<u>20,452</u>	-	<u>202,876</u>

The excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

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.

18. CONTRACTUAL COMMITMENTS

As of June 30, 2010, the School District had entered into various construction contracts for the construction of the new high school building under which it had a remaining unperformed and unpaid total commitment of approximately \$30,118,000.

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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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 17,471,883	17,863,370	17,863,370	-
Tuition and fees	799,325	903,747	903,747	-
Interest	363,066	109,980	109,980	-
Intergovernmental	11,265,561	10,748,961	10,748,961	-
Other local revenues	263,319	270,680	270,680	-
Total revenues	<u>30,163,154</u>	<u>29,896,738</u>	<u>29,896,738</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,746,402	13,508,604	13,508,604	-
Special education	2,385,746	1,945,742	1,945,742	-
Other instruction	1,112,624	1,036,965	1,036,965	-
Support services:				
Pupil	1,276,416	1,460,262	1,460,262	-
Instructional staff	1,884,790	1,847,632	1,847,632	-
Board of Education	28,777	56,515	56,515	-
Administration	2,098,922	2,145,428	2,145,428	-
Fiscal	1,223,286	1,209,377	1,209,377	-
Business	6,589	1,350	1,350	-
Operation and maintenance of plant	2,972,720	2,625,837	2,625,837	-
Pupil transportation	2,318,423	1,798,673	1,798,673	-
Central	135,430	120,257	120,257	-
Non-instructional services:				
Extracurricular activities	554,695	534,358	534,358	-
Capital outlay	2,279	2,000	2,000	-
Total expenditures	<u>29,747,099</u>	<u>28,293,000</u>	<u>28,293,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	416,055	1,603,738	1,603,738	-
Other financing sources (uses):				
Transfers out	(400,500)	-	-	-
Advances in	14,000	13,597	13,597	-
Advances out	(250,000)	-	-	-
Refund of prior year expenditures	34,165	674	674	-
Total other financing sources (uses)	<u>(602,335)</u>	<u>14,271</u>	<u>14,271</u>	<u>-</u>
Net change in fund balance	(186,280)	1,618,009	1,618,009	-
Fund balance, beginning of year	13,918,738	13,918,738	13,918,738	
Prior year encumbrances appropriated	106,601	106,601	106,601	
Fund balance, end of year	\$ <u>13,839,059</u>	<u>15,643,348</u>	<u>15,643,348</u>	

See accompanying notes to required supplemental information.

TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information

Year Ended June 30, 2010

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 fiscal year 2010.

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 a reservation 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 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:

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 a reservation of fund balance for governmental fund types (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	\$ 1,674,322
Increase / (decrease):	
Due to revenues	175,458
Due to expenditures	(92,843)
Due to other sources (uses)	14,271
Due to encumbrances	<u>(153,199)</u>
Net change in fund balance - Budget Basis	\$ <u>1,618,009</u>