



Dave Yost • Auditor of State

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 20 to the financial statements, during fiscal year 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2014

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**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of Tecumseh Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position for governmental activities decreased \$2,973,253 which represents a 5 percent decrease from 2012.
- General revenues accounted for \$26,431,254 in revenue or 82 percent of governmental revenues. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for \$5,868,297 or 18 percent of governmental revenues of \$32,299,551.
- The School District had \$35,272,804 in governmental expenses; only \$5,868,297 of these expenses was offset by program specific charges for services, grants or contributions. General revenues for governmental activities (primarily taxes and entitlements) of \$26,431,254 also contributed to these programs.
- Among major funds, the General Fund had \$26,132,048 in revenues and \$26,777,525 in expenditures. The General Fund's balance decreased \$627,427 from 2012.
- During fiscal year 2013, the School District refunded bonds to reduce its total debt service payments \$2,092,203.

Using this Generally Accepted Accounting Principles Report (GAAP)

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012:

**Table 1
Net Position**

	Governmental Activities Restated	
	2012	2013
Assets:		
Current and Other Assets	\$17,184,091	\$16,994,791
Capital Assets	73,536,405	70,854,149
Total Assets	<u>90,720,496</u>	<u>87,848,940</u>
Deferred Outflows of Resources		<u>1,327,392</u>
Liabilities:		
Long-Term Liabilities	19,926,278	21,001,798
Other Liabilities	3,587,655	3,463,912
Total Liabilities	<u>23,513,933</u>	<u>24,465,710</u>
Deferred Inflows of Resources	<u>6,690,442</u>	<u>7,167,754</u>
Net Position:		
Net Investment in Capital Assets	55,833,846	51,931,195
Restricted	5,005,908	5,037,773
Unrestricted	(323,633)	573,900
Total Net Position	<u>\$60,516,121</u>	<u>\$57,542,868</u>

The amount by which the School District's assets exceeded its liabilities is called net position. Total assets decreased as depreciation on capital assets was over capital acquisitions by \$2,678,875. Equity in Pooled Cash and Cash Equivalents decreased around \$600,000. Taxes receivable also decreased as there was a late June settlement in fiscal year 2012. Long-term liabilities increased due to the refunding. The bond premiums on the refunding will be amortized over the life of the bonds.

**Table 2
Change in Net Position**

	2012	2013	Percent Change
Revenues:			
Program Revenues:			
Charges for Services	\$2,663,743	\$2,420,593	-9.13%
Operating Grants and Contributions	3,362,036	3,447,704	2.55%
Capital Grants and Contributions	43,302		100.00%
Total Program Revenues	<u>6,069,081</u>	<u>5,868,297</u>	-3.31%
General Revenues:			
Property Taxes	7,092,256	9,238,114	30.26%
Grants and Entitlements Not Restricted	16,890,776	17,075,814	1.10%
All Other	71,220	117,326	64.74%
Total General Revenues	<u>24,054,252</u>	<u>26,431,254</u>	9.88%
Total Revenues	<u>30,123,333</u>	<u>32,299,551</u>	7.22%

(Continued)

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

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

	2012	2013	Percent Change
Program Expenses:			
Instruction	17,549,447	17,156,421	-2.24%
Support Services:			
Pupils and Instructional Staff	3,227,600	3,394,804	5.18%
Board of Education, Administration, Fiscal and Business	3,338,458	3,368,591	0.90%
Operation and Maintenance of Plant	3,238,264	3,693,360	14.05%
Pupil Transportation	1,547,885	1,535,995	-0.77%
Central	163,236	162,085	-0.71%
Operation of Non-Instructional Services	1,753,574	1,717,702	-2.05%
Extracurricular Activities	547,448	610,718	11.56%
Interest and Fiscal Charges and Issuance Costs	890,467	963,066	8.15%
Unallocated Depreciation	2,684,325	2,670,062	-0.53%
Total Expenses	<u>34,940,704</u>	<u>35,272,804</u>	0.95%
Increase (Decrease) in Net Position	<u>(\$4,817,371)</u>	<u>(\$2,973,253)</u>	-38.28%

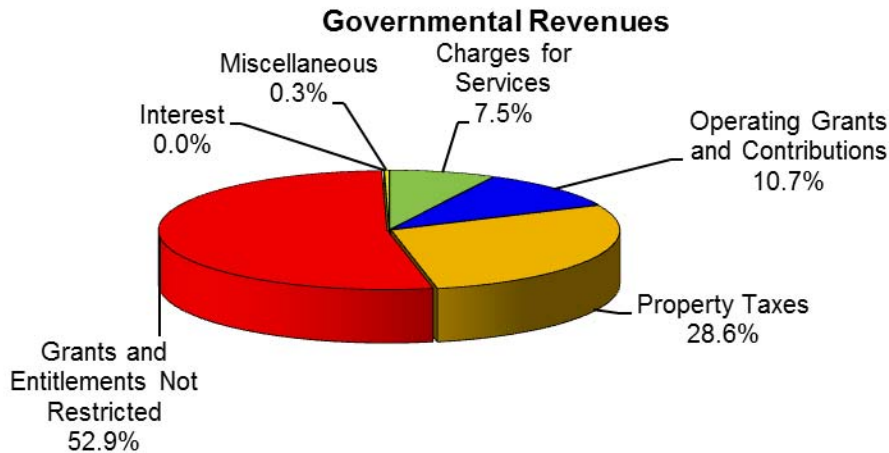
Table 2 shows the changes in net position for governmental activities for fiscal year 2012 and 2013.

Governmental Activities

Operating grants and contributions decreased as revenue from the Education Jobs grant that the School District received in 2012 declined significantly in 2013. The capital grants and contributions for 2012 were for bus revenue received from the State of Ohio.

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

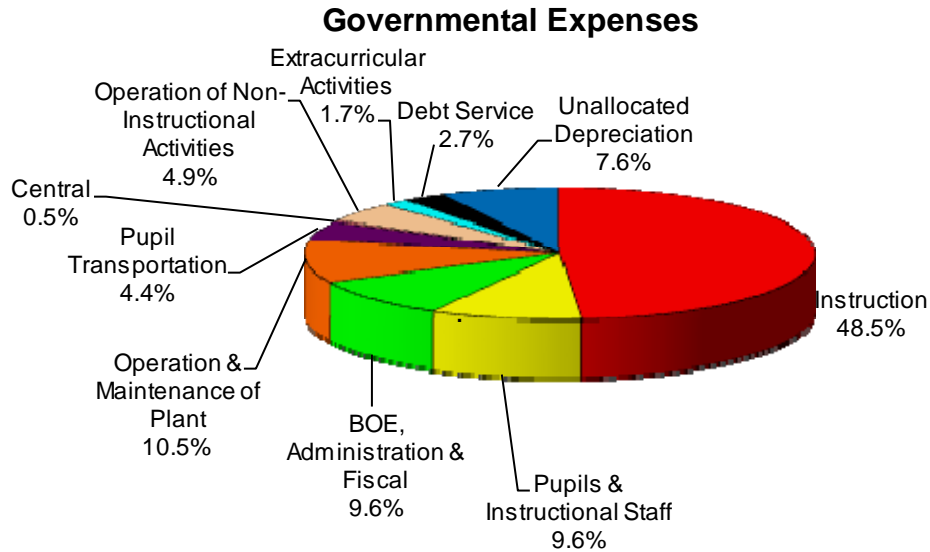
Interest and fiscal charges increased with the issuance costs of refunding bonds during fiscal year 2013.



**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a levy does not increase solely as a result of inflation. Property taxes made up 28.6% and 23.5% of revenues for governmental activities for the Tecumseh Local School District for fiscal year 2013 and 2012, respectively. The last operating levy approved by the voters in the School District occurred in 1995. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 52.9% and 56.3% of the School District's total revenue was received from intergovernmental sources during fiscal year 2013 and 2012, respectively.



Instruction comprises 48.5 percent of district expenses. Support services expenses make up 34.6 percent of the expenses.

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

Governmental Activities

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Table 3

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>
Instruction	\$17,549,447	(\$14,871,327)	\$17,156,421	(\$14,487,549)
Support Services:				
Pupils and Instructional Staff	3,227,600	(2,493,426)	3,394,804	(2,710,527)
Board of Education, Administration, Fiscal and Business	3,338,458	(3,029,265)	3,368,591	(3,019,779)
Operation and Maintenance of Plant	3,238,264	(3,168,158)	3,693,360	(3,650,498)
Pupil Transportation	1,547,885	(1,426,538)	1,535,995	(1,460,076)
Central	163,236	(163,236)	162,085	(162,085)
Operation of Non-Instructional Services	1,753,574	95,464	1,717,702	(11,744)
Extracurricular Activities	547,448	(240,345)	610,718	(269,121)
Interest and Fiscal Charges	890,467	(890,467)	963,066	(963,066)
Unallocated Depreciation	2,684,325	(2,684,325)	2,670,062	(2,670,062)
Total Expenses	<u>\$34,940,704</u>	<u>(\$28,871,623)</u>	<u>\$35,272,804</u>	<u>(\$29,404,507)</u>

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

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Approximately 84 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 83 percent. The community along with State revenues, as a whole, is the primary support for the Tecumseh Local School District.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$32,232,065 and expenditures of \$33,194,693. The net change in fund balance for the General Fund was a \$627,427 decrease.

The School District refunded bonds during fiscal year 2013; the Bond Retirement fund balance increased \$223,140 for fiscal year 2013.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District amended its General Fund budget which resulted in appropriation increases of \$724,601, primarily for other instruction along with operation and maintenance of plant and pupil transportation expenditures. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue estimate was \$25,931,755. The original budgeted estimate was \$25,013,814. The increase was primarily due to property taxes revenue and intergovernmental revenues.

Capital Assets

At the end of fiscal year 2013, the School District had \$70,854,149 invested in governmental land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2013 balances compared to fiscal year 2012.

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

	2012	2013
Land	\$520,022	\$520,022
Land Improvements	38,366	38,366
Buildings and Improvements	85,336,434	85,336,434
Furniture and Equipment	2,646,986	2,652,876
Vehicles	2,560,720	2,709,036
Accumulated Depreciation	(17,566,123)	(20,402,585)
Totals	<u>\$73,536,405</u>	<u>\$70,854,149</u>

Overall capital assets decreased \$2,682,256 from fiscal year 2012 to fiscal year 2013. Depreciation expense exceeded capital asset additions resulting in the decrease. For more information on capital assets see Note 8 of the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Debt Administration

During fiscal year 2013, the School District refunded a portion of the 2004 general obligation bonds outstanding in order to reduce its total debt service payments \$2,092,203. At June 30, 2013, the School District had the following outstanding long-term debt:

	Amount Outstanding 6/30/2012	Amount Outstanding 6/30/2013
Governmental Activities:		
General Obligation Bonds 2004	\$17,702,559	\$2,419,019
Refunding Bonds 2012		8,819,991
Refunding Bonds 2013		6,044,997
Total General Obligation Bonds	17,702,559	17,284,007
Unamortized Premium on Bonds:		
Refunding Bonds 2012		962,183
Refunding Bonds 2013		676,764
Total Unamortized Premiums on Bonds	\$0	\$1,638,947

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

Current Financial Issues and Concerns

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

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

On November 3, 2009, the voters of Tecumseh Local School District renewed a 4.417 mill emergency levy (.4417 for each \$100 of value) which is anticipated to generate \$1,315,398. In addition, they renewed a 2.656 mill emergency levy which is anticipated to generate \$791,000. Finally, the voters renewed a 4.0 mill permanent improvement levy which is anticipated to generate \$661,334. All of the levies are for a 5 year period (Tax Year 2010 Tax List and duplicate) first due in calendar year 2011.

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

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

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

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

The board of education placed a 12.37 mill emergency levy again on the November 5, 2013, ballot to raise \$3,500,000. This levy also failed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Debra Schock, Treasurer at Tecumseh Local School District, 9760 West National Road, New Carlisle, OH 45344 or email debra.schock@tecumseh.org.

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**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF POSITION
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,883,989
Cash and Cash Equivalents in Segregated Accounts	4,500
Accounts Receivable	74,128
Intergovernmental Receivable	672,742
Inventory of Supplies and Materials	139,350
Property and Other Taxes Receivable	10,220,082
Depreciable Capital Assets, Net	70,334,127
Land	520,022
Total Assets	87,848,940
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	1,327,392
 Liabilities:	
Accounts Payable	41,278
Accrued Wages and Benefits Payable	2,673,265
Intergovernmental Payable	496,114
Accrued Interest Payable	35,991
Matured Compensated Absences Payable	187,822
Vacation Leave Payable	29,442
Long Term Liabilities:	
Due Within One Year	850,498
Due In More Than One Year	18,512,353
Unamortized Premium on Bonds	1,638,947
Total Liabilities	24,465,710
 Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	7,167,754
 Net Position:	
Net Investment in Capital Assets	51,931,195
Restricted for:	
Debt Service	1,230,431
Capital Projects	1,207,572
Other Purposes	2,480,860
Set-asides	80,264
Non-expendable	2,404
Unclaimed Monies	36,242
Unrestricted	573,900
Total Net Position	\$57,542,868

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Revenue and Changes In Net Position</u>
				<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities				
Instruction:				
Regular	\$11,562,633	\$1,446,203	\$344,345	(\$9,772,085)
Special	4,096,144	10,963	764,662	(3,320,519)
Vocational	357,666	7,414	95,285	(254,967)
Student Intervention Services	2,268			(2,268)
Other	1,137,710			(1,137,710)
Support Services:				
Pupils	1,979,341		375,001	(1,604,340)
Instructional Staff	1,415,463	3,209	306,067	(1,106,187)
Board of Education	78,942			(78,942)
Administration	2,597,476	511	348,301	(2,248,664)
Fiscal	628,588			(628,588)
Business	63,585			(63,585)
Operation and Maintenance of Plant	3,693,360	32,062	10,800	(3,650,498)
Pupil Transportation	1,535,995	29,551	46,368	(1,460,076)
Central	162,085			(162,085)
Operation of Non-Instructional Services	1,717,702	557,551	1,148,407	(11,744)
Extracurricular Activities	610,718	333,129	8,468	(269,121)
Interest and Fiscal Charges	658,340			(658,340)
Issuance Costs	304,726			(304,726)
Depreciation - Unallocated	2,670,062			(2,670,062)
Total	\$35,272,804	\$2,420,593	\$3,447,704	(29,404,507)

General Revenues:

Property Taxes Levied for:

General Purposes	7,428,532
Capital Outlay	583,387
Debt Service	1,116,919
Capital Maintenance	109,276
Grants and Entitlements not Restricted to Specific Programs	17,075,814
Gifts and Donations not Restricted to Specific Programs	709
Investment Earnings	7,840
Miscellaneous	108,777
Total General Revenues	26,431,254
Change in Net Position	(2,973,253)
Net Position Beginning of Year	60,516,121
Net Position End of Year	\$57,542,868

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,724,725	\$920,315	\$3,238,949	\$5,883,989
Cash and Cash Equivalents in Segregated Accounts			4,500	4,500
Receivables:				
Property and Other Taxes	8,216,049	1,225,082	778,951	10,220,082
Accounts	74,128			74,128
Intergovernmental	59,927		612,815	672,742
Interfund	24,059			24,059
Inventory of Supplies and Materials	118,052		21,298	139,350
Total Assets	<u>10,216,940</u>	<u>2,145,397</u>	<u>4,656,513</u>	<u>17,018,850</u>
Liabilities:				
Accounts Payable	40,728		550	41,278
Matured Compensated Absences Payable	181,316		6,506	187,822
Accrued Wages and Benefits Payable	2,410,216		263,049	2,673,265
Intergovernmental Payable	456,452		39,662	496,114
Interfund Payable			24,059	24,059
Total Liabilities	<u>3,088,712</u>		<u>333,826</u>	<u>3,422,538</u>
Deferred Inflows of Resources:				
Property Taxes not Levied to Finance Current Year Operations	5,773,882	914,966	478,906	7,167,754
Unavailable Revenue	524,366	66,586	505,700	1,096,652
Total Deferred Inflows of Resources	<u>6,298,248</u>	<u>981,552</u>	<u>984,606</u>	<u>8,264,406</u>
Fund Balances:				
Non-spendable	154,294		23,298	177,592
Restricted		1,163,845	3,400,739	4,564,584
Assigned	1,228,149			1,228,149
Unassigned	(552,463)		(85,956)	(638,419)
Total Fund Balances	<u>829,980</u>	<u>1,163,845</u>	<u>3,338,081</u>	<u>5,331,906</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$10,216,940</u>	<u>\$2,145,397</u>	<u>\$4,656,513</u>	<u>\$17,018,850</u>

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total Governmental Fund Balances	\$5,331,906
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$520,022	
Land Improvements	38,366	
Building and Improvements	85,336,434	
Furniture and Equipment	2,652,876	
Vehicles	2,709,036	
Accumulated Depreciation	<u>(20,402,585)</u>	70,854,149
Total Capital Assets		

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

Deferred Charge on Refunding	1,327,392
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property Taxes Receivable	655,376	
Intergovernmental Receivable	<u>441,276</u>	1,096,652

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

General Obligation Bonds Payable	(17,284,007)	
Unamortized Premium on Bonds	(1,638,947)	
Accrued Interest Payable	(35,991)	
Vacation Leave Payable	(29,442)	
Compensated Absences Payable	<u>(2,078,844)</u>	<u>(21,067,231)</u>

Net Position of Governmental Activities	<u>\$57,542,868</u>
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See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Taxes	\$7,409,160	\$1,113,891	\$690,221	\$9,213,272
Intergovernmental	16,889,964	230,396	3,349,199	20,469,559
Interest	7,829		1,618	9,447
Tuition and Fees	1,561,651			1,561,651
Rent	17,112			17,112
Extracurricular Activities	33,421		218,798	252,219
Gifts and Donations	21,604		9,043	30,647
Charges for Services	86,848		483,504	570,352
Miscellaneous	104,459		3,347	107,806
Total Revenues	<u>26,132,048</u>	<u>1,344,287</u>	<u>4,755,730</u>	<u>32,232,065</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,343,157		298,460	11,641,617
Special	3,350,663		743,721	4,094,384
Vocational	373,995		3,983	377,978
Student Intervention Services	2,268			2,268
Other	1,137,710			1,137,710
Support Services:				
Pupils	1,537,610		434,409	1,972,019
Instructional Staff	1,079,775		338,886	1,418,661
Board of Education	78,942			78,942
Administration	2,301,514		331,241	2,632,755
Fiscal	579,446	23,396	21,217	624,059
Business	63,585			63,585
Operation and Maintenance of Plant	2,899,128		197,697	3,096,825
Pupil Transportation	1,388,728		200,487	1,589,215
Central	162,085			162,085
Operation of Non-Instructional Services	106,824		1,610,168	1,716,992
Extracurricular Activities	372,095		236,449	608,544
Capital Outlay			567,760	567,760
Debt Service:				
Principal Retirement		555,000		555,000
Interest and Fiscal Charges		549,568		549,568
Issuance Costs		304,726		304,726
Total Expenditures	<u>26,777,525</u>	<u>1,432,690</u>	<u>4,984,478</u>	<u>33,194,693</u>
Excess of Revenues Over (Under) Expenditures	<u>(645,477)</u>	<u>(88,403)</u>	<u>(228,748)</u>	<u>(962,628)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	18,050			18,050
Refunding Bonds Issued		14,864,988		14,864,988
Premium on Refunding Bonds		1,638,947		1,638,947
Advances In	798,224		798,226	1,596,450
Payment to Refunded Bond Escrow Agent		(16,192,392)		(16,192,392)
Advances Out	(798,224)		(798,226)	(1,596,450)
Other Financing Sources (Uses)	<u>18,050</u>	<u>311,543</u>	<u></u>	<u>329,593</u>
Net Change in Fund Balances	(627,427)	223,140	(228,748)	(633,035)
Fund Balances at Beginning Of Year	<u>1,457,407</u>	<u>940,705</u>	<u>3,566,829</u>	<u>5,964,941</u>
Fund Balances at End of Year	<u>\$829,980</u>	<u>\$1,163,845</u>	<u>\$3,338,081</u>	<u>\$5,331,906</u>

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds (\$633,035)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	188,030	
Depreciation Expense	(2,866,905)	
Total	(2,678,875)	(2,678,875)

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

Loss on Disposal of Capital Assets		(3,381)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

General Obligation Bonds	555,000	
Payment to Refunded Bond Escrow Agent	16,192,392	
Accretion on General Obligation Bonds	(136,460)	
Total	16,610,932	16,610,932

The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net position, the debt is reported as a liability.

Premium on Refunded Bonds	(1,638,947)	
Refunded General Obligation Bonds	(14,864,988)	
	(16,503,935)	(16,503,935)

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

Property Taxes	24,843	
Intergovernmental Grants	24,593	
	49,436	49,436

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

Decrease in Vacation Leave Payable	13,042	
Decrease in Compensated Absences	144,875	
Decrease in Accrued Interest Payable	27,688	
Total	185,605	

Change in Net Position of Governmental Activities		(\$2,973,253)
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See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$7,085,136	\$7,405,912	\$7,405,912	
Tuition and Fees	1,606,995	1,566,991	1,566,991	
Interest	6,900	7,829	7,829	
Intergovernmental	16,238,111	16,889,854	16,889,854	
Gifts and Donations	2,176	709	709	
Charges for Services	590	511	511	
Rent	18,354	17,112	17,112	
Miscellaneous	55,552	42,837	42,837	
Total Revenues	<u>25,013,814</u>	<u>25,931,755</u>	<u>25,931,755</u>	
Expenditures:				
Current:				
Instruction:				
Regular	11,613,415	11,424,725	11,424,725	
Special	3,017,809	3,276,799	3,276,799	
Vocational	384,174	383,513	383,513	
Student Intervention Services	2,239			
Other	991,208	1,144,664	1,144,664	
Support Services:				
Pupils	1,560,662	1,559,046	1,559,046	
Instructional Staff	969,262	1,064,706	1,064,706	
Board of Education	69,676	81,418	81,418	
Administration	2,347,902	2,388,248	2,388,248	
Fiscal	565,891	599,022	599,022	
Business	60,641	114,376	114,376	
Operation and Maintenance of Plant	3,901,879	3,398,976	3,398,976	
Pupil Transportation	1,718,900	1,626,200	1,626,200	
Central	121,157	162,787	162,787	
Operation of Non-Instructional Services	47	246	246	
Extracurricular Activities	373,158	375,612	375,612	
Total Expenditures	<u>27,698,020</u>	<u>27,600,338</u>	<u>27,600,338</u>	
Excess of Revenues Under Expenditures	<u>(2,684,206)</u>	<u>(1,668,583)</u>	<u>(1,668,583)</u>	
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets		18,050	18,050	
Insurance Recoveries	26,407	17,860	17,860	
Refund of Prior Year Expenditure				
Advance Out		(822,283)	(822,283)	
Advance In	594,228	819,141	819,141	
Total Other Financing Sources (Uses)	<u>620,635</u>	<u>32,768</u>	<u>32,768</u>	
Net Change in Fund Balances	(2,063,571)	(1,635,815)	(1,635,815)	
Fund Balance at Beginning of Year	1,412,769	1,412,769	1,412,769	
Prior Year Encumbrances Appropriated	651,900	651,900	651,900	
Fund Balance at End of Year	<u>\$1,098</u>	<u>\$428,854</u>	<u>\$428,854</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements.

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$60,993</u></u>
Liabilities:	
Due to Students	<u><u>\$60,993</u></u>

See Accompanying Notes to the Basic Financial Statements.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 168 non-certificated employees, 193 certificated full-time teaching personnel and 20 administrators, who provide services to 3,244 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

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

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Tecumseh Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

2. Fund Financial Statements:

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

B. Fund Accounting

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds:

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

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

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

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

2. Fiduciary Fund:

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

3. Expenses/Expenditures:

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

E. Cash and Cash Equivalents

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

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

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

During fiscal year 2013, the School District invested in certificates of deposit.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$7,829 which includes \$5,911 assigned from other School District funds.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Inventory

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Accrued Liabilities and Long-term Obligations

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time for administrators because they can use their balance until the end of August and can request a cash payout of up to 10 days.

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

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

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

K. Fund Balance

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

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

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

L. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

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

M. Deferred Charge on Refunding Bonds

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

N. Bond Discounts/Premiums

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Activity

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

P. Estimates

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

Q. Budgetary Data

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013.

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

3. BUDGETARY BASIS OF ACCOUNTING

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$627,427)
Net Adjustment for Revenue	
Accruals	(37,471)
Net Adjustment for Expenditure	
Accruals	51,769
Perspective Differences	9,041
Advances	(3,142)
Encumbrances	(1,028,585)
Budget Basis	<u><u>(\$1,635,815)</u></u>

4. FUND DEFICITS

The IDEA Part B, Sub A Title I, Title III Immigrant, Title I, and Title IIA special revenue funds had deficit fund balances at June 30, 2013, of \$8,926, \$237, \$1,771, \$62,263 and \$12,759, respectively. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur. Management expects the remaining deficits in these funds to be corrected in early fiscal year 2014 when grant dollars are received.

5. DEPOSITS AND INVESTMENTS

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Interim monies are to be deposited or invested in the following securities:

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

A. Deposits

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

At fiscal year-end, the carrying amount of the School District's deposits was \$5,949,482 and the bank balance was \$6,354,811. \$255,080 of the School District's deposits was insured by federal depository insurance. As of June 30, 2013, \$6,099,731 of the School District's bank balance of \$6,354,811 was collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

B. Investments

At June 30, 2013, the School District did not have any investments.

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

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

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. PROPERTY TAXES

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

Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

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

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

The School District receives property taxes from Clark County and Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been shown as a deferred inflow of resources.

The amount available as an advance at June 30, 2013, was \$1,917,800 in the general fund, \$243,530 in the bond retirement fund, \$209,493 in the permanent improvement fund and \$26,127 in the other governmental funds. The amount available as an advance at June 30, 2012, was \$1,914,554 in the general fund, \$240,963 in the bond retirement fund, and \$234,986 in the other governmental funds.

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

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$272,814,082	96.6%	\$271,881,335	96.1%
Public Utility Personal	9,540,730	3.4%	11,140,300	3.9%
Total	<u>\$282,354,812</u>	<u>100.0%</u>	<u>\$283,021,635</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$45.75		\$45.78	

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, accounts (tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

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

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Bureau of Workers' Compensation Refund	\$51,555
ROTC	6,715
Lunchroom	2,180
Tax excise	1,657
Race to the Top	89,600
Title I - Migrant	87,149
Sub A Title I	9,907
Title VI-B (IDEA)	94,776
LEP III	20,724
Title I	289,454
Title IIA	19,025
Total	<u><u>\$672,742</u></u>

8. CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 6/30/2013</u>
Governmental Assets:				
Capital Assets, not being depreciated:				
Land	\$520,022			\$520,022
Capital Assets, being depreciated:				
Land Improvements	38,366			38,366
Building and Improvements	85,336,434			85,336,434
Furniture and Equipment	2,646,986	\$5,890		2,652,876
Vehicles	2,560,720	182,140	(\$33,824)	2,709,036
Total Capital Assets, being depreciated	<u>90,582,506</u>	<u>188,030</u>	<u>(33,824)</u>	<u>90,736,712</u>
Less: Accumulated Depreciation:				
Land Improvements	(16,114)	(3,453)		(19,567)
Buildings and Improvements	(14,093,798)	(2,551,734)		(16,645,532)
Furniture and Equipment	(1,784,889)	(183,574)		(1,968,463)
Vehicles	(1,671,322)	(128,144)	30,443	(1,769,023)
Total Accumulated Depreciation	<u>(17,566,123)</u>	<u>(2,866,905)</u>	<u>30,443</u>	<u>(20,402,585)</u>
Total Capital Assets, being depreciated, net	<u>73,016,383</u>	<u>(2,678,875)</u>	<u>(3,381)</u>	<u>70,334,127</u>
Governmental Activities Capital Assets, net	<u><u>\$73,536,405</u></u>	<u><u>(\$2,678,875)</u></u>	<u><u>(\$3,381)</u></u>	<u><u>\$70,854,149</u></u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$41,317
Vocational	504
Support Services:	
Administration	3,611
Fiscal	1,133
Operation and Maintenance of Plant	26,862
Transportation	122,819
Extracurricular Activities	597
Total	196,843
Unallocated Depreciation	2,670,062
Total Depreciation Expense	\$2,866,905

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with Arthur J. Gallagher & Co. through the Southwestern Ohio Educational Purchasing Cooperative for property, general liability and automobile insurance.

Coverage provided by Arthur J. Gallagher & Co. is as follows:

Building and Contents-replacement cost	\$350,000,000
Inland Marine Coverage (\$1,000 deductible)	Included above
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability	5,000,000
School Errors & Omissions Liability	5,000,000
General Liability	5,000,000
Fiduciary Liability (\$1,500) deductible	1,000,000

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

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10% of annual covered salary. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$550,472, \$532,682, and \$528,840, respectively; 96.86% percent has been contributed for fiscal years 2013 and 100% has been contributed for 2012 and 2011.

B. State Teachers Retirement System

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$1,748,291, \$1,737,882, and \$1,859,640, respectively; 83.67 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74% of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$31,095, \$31,541, and \$34,032, respectively; 96.86% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$67,885, \$80,036, and \$129,261, respectively; 9.59% has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

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

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$134,484, \$133,683, and \$143,049, respectively; 83.67% has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

13. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2013, the School District had contractual purchase commitments as follows:

Vendor	Contract Amount	Expended	Remaining Balance
Energy Optimizers, USA, LLC	\$612,265	\$558,440	\$53,825
Stagle Mechanical	55,000	10,327	44,673
Constellation Newenergy	110,000	43,779	66,221
	<u>\$777,265</u>	<u>\$612,546</u>	<u>\$164,719</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/2012	Additions	Deletions	Amount Outstanding 6/30/2013	Amount Due in One Year
Governmental Activities:					
General Obligation Bonds 2004:					
Serial Bonds	\$3,140,000		(\$1,925,000)	\$1,215,000	\$590,000
Term Bonds	13,495,000		(13,495,000)		
Capital Appreciation Bonds	409,975			409,975	
Interest Accretion on Capital Appreciation Bonds	657,584	\$136,460		794,044	
Total - General Obligation Bonds 2004	<u>17,702,559</u>	<u>136,460</u>	<u>(15,420,000)</u>	<u>2,419,019</u>	<u>590,000</u>
Refunding Bonds 2012:					
Serial Bonds		6,350,000		6,350,000	125,000
Term Bonds		1,510,000		1,510,000	
Capital Appreciation Bonds		959,991		959,991	
Total - Refunding Bonds 2012		<u>8,819,991</u>		<u>8,819,991</u>	<u>125,000</u>
Refunding Bonds 2013:					
Serial Bonds		5,615,000		5,615,000	110,000
Term Bonds		340,000		340,000	
Capital Appreciation Bonds		89,997		89,997	
Total - Refunding Bonds 2013		<u>6,044,997</u>		<u>6,044,997</u>	<u>110,000</u>
Total General Obligation Bonds	<u>17,702,559</u>	<u>15,001,448</u>	<u>(15,420,000)</u>	<u>17,284,007</u>	<u>825,000</u>
Unamortized Premium on Bonds:					
Refunding Bonds 2012		962,183		962,183	
Refunding Bonds 2013		676,764		676,764	
Total Unamortized Premiums on Bonds		<u>1,638,947</u>		<u>1,638,947</u>	
Compensated Absences	<u>\$2,223,719</u>	<u>\$36,441</u>	<u>(\$181,316)</u>	<u>\$2,078,844</u>	<u>\$25,498</u>

A. General Obligation Bonds 2004

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

B. Refunding Bonds 2012

On December 27, 2012, the School District issued \$8,819,991 in bonds for refunding \$8,820,000 of the 2004 general obligation bonds with interest rates ranging from 4.2% to 4.75%. Of the refunding bonds issued, \$6,350,000 was serial bonds with interest rates ranging from 2-4% and mature December 31, 2031. The \$1,510,000 in term bonds has interest rates ranging from 2-3% and mature December 31, 2028. \$959,991 is capital appreciation bonds (maturity amount of \$115,000 on December 1, 2015, \$820,000 on December 1, 2016 and \$880,000 on December 1, 2020.) The net proceeds of \$9,604,826 (after payment of \$174,182 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the 2004 series bonds. As a result, the portion of the 2004 series bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$784,826. This difference, reported in the accompanying financial statements as a deferred amount on refunding, will be charged to operations through 2031. The School District completed the advance refunding to reduce its total debt service payments over future years by \$1,114,949 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$816,543.

C. Refunding Bonds 2013

On February 21, 2013, the School District issued \$6,044,997 in bonds for refunding \$6,045,000 of the 2004 general obligation bonds with interest rates ranging from 4.1% to 4.75%. Of the refunding bonds issued, \$5,615,000 was serial bonds with interest rates ranging from 1-3% and mature December 31, 2027. The \$340,000 in term bonds has interest rates ranging from 1.5-2% and mature December 31, 2022. \$89,997 is capital appreciation bonds (maturity amount of \$745,000 on December 1, 2015 and \$55,000 on December 1, 2016.) The net proceeds of \$6,587,566 (after payment of \$130,409 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the 2004 series bonds. As a result, the portion of the 2004 series bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$542,566. This difference, reported in the accompanying financial statements as a deferred amount on refunding, will be charged to operations through 2031. The School District completed the advance refunding to reduce its total debt service payments over future years by \$977,254 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$782,298.

Compensated absences will be paid from the general fund and the food service, Title VI-B, Title IIA and Title I special revenue funds.

The School District's debt service requirements at June 30, 2013, were as follows:

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$825,000	\$418,289	\$1,243,289
2015	815,000	390,684	1,205,684
2016	169,263	1,067,426	1,236,689
2017	525,847	725,841	1,251,688
2018	290,615	974,811	1,265,426
2019-2023	2,884,238	3,615,474	6,499,712
2024-2028	5,475,000	1,347,593	6,822,593
2029-2033	5,505,000	431,175	5,936,175
Total	<u>\$16,489,963</u>	<u>\$8,971,293</u>	<u>\$25,461,256</u>
Accretion of CABs	<u>794,044</u>		
General Obligation Bonds	<u>\$17,284,007</u>		

The School District's overall legal debt margin was \$9,902,299 and the un-voted debt margin was \$283,022 at June 30, 2013.

15. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

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

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:				
Unclaimed checks	\$36,242			\$36,242
Permanent Fund Principal Inventory	118,052		\$2,000 21,298	2,000 139,350
Total Non-spendable	<u>154,294</u>		<u>23,298</u>	<u>177,592</u>
Restricted for:				
Food Service Operations			913,741	913,741
Classroom Maintenance			1,228,664	1,228,664
Athletics			80,362	80,362
Permanent Fund			404	404
Capital Improvements			1,150,292	1,150,292
State and Federal Grants			27,276	27,276
Debt Service		<u>\$1,163,845</u>		<u>1,163,845</u>
Total Restricted		<u>1,163,845</u>	<u>3,400,739</u>	<u>4,564,584</u>
Assigned for:				
Unpaid Obligations	990,046			990,046
Latchkey Program	37,276			37,276
Public School Support	195,681			195,681
Donnelsville Parent Center	5,146			5,146
Total Assigned	<u>1,228,149</u>			<u>1,228,149</u>
Unassigned	<u>(552,463)</u>		<u>(85,956)</u>	<u>(638,419)</u>
Total Fund Balance	<u>\$829,980</u>	<u>\$1,163,845</u>	<u>\$3,338,081</u>	<u>\$5,331,906</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

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

The School District paid MVECA \$133,562 for services provided during the fiscal year. Financial information can be obtained from Thor Sage, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2013, the School District paid \$108,196 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2013, the School District made \$2,367 in payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**TECUMSEH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

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

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Tecumseh Local School District did not have any payments to the FCFC during fiscal year 2013.

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

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

The School District did not make any financial contributions to the CTC during fiscal year 2013. To obtain financial information, write to the Springfield-Clark Career Technology Center, Anthony Fraley, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

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

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

**TECUMSEH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

The School District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The School District did not contribute any money to the TEF during fiscal year 2013. During fiscal year 2008, the TEF received an endowment for \$2.4 million that is to be used to provide scholarships to Tecumseh LSD graduates. The money was turned over to the Springfield Foundation to administer the program. To obtain financial information write to the Tecumseh Educational Foundation, Kevin Harmon, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

Miami Valley Special Education Regional Resource Center – The Miami Valley Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-seven member board consisting of the superintendent of the thirty-eight participating school districts with one representative from the University of Dayton. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2013, the School District paid \$31,379 to the SERRC. Financial information can be obtained from Donald H. Sheer, Jr. Assistant Superintendent, 4801 Springfield Street, Riverside, OH 45431.

B. Insurance Purchasing Pool

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

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

17. SET-ASIDE CALCULATIONS

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2013.

**TECUMSEH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. SET-ASIDE CALCULATIONS (Continued)

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	540,627
Qualifying Disbursements	(122,134)
Prior Year Offset from Bond Proceeds	(186,091)
Current Year Offsets	(232,402)
Total Set-aside Reserve Balance at June 30, 2013	\$0
Excess Available to Carry-Over to Subsequent Year	\$0

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

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During prior years, District issued capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$19,117,122 at June 30, 2013.

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

18. INTERFUND TRANSACTIONS

At June 30, 2013, the School District had a short-term interfund loan with the General Fund in the amount of \$24,059. \$2,812 was owed from the Title IC, \$7,708 was owed from the Race to the Top, \$9,377 was owed from the Title VI-B IDEA, \$27 was owed from Sub A Title I, and \$4,135 was owed from the Title I funds, all which are included with other governmental funds.

19. CONTINGENCIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

20. CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34"*, *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,"* and *Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,"* and *Statement No. 65, "Items Previously Reported as Assets and Liabilities."*

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, GASB most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements

21. SUBSEQUENT EVENT

The School District assessed events occurring subsequent to June 30, 2013, to November 5, 2013, for potential recognition and disclosure in the financial statements.

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

The board of education placed a 12.37 mills emergency levy on November 5, 2013, to raise \$3,500,000. The levy failed.

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**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$255,819	\$57,477	\$255,819	\$57,477
National School Lunch Program	10.555	694,729	93,777	694,729	93,777
Total Child Nutrition Cluster		<u>950,548</u>	<u>151,254</u>	<u>950,548</u>	<u>151,254</u>
Total U.S. Department of Agriculture		950,548	151,254	950,548	151,254
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	863,214		870,277	
Migrant Education - State Grant Program	84.011	123,684		122,796	
Special Education Cluster:					
Special Education - Grants to States	84.027	691,393		694,066	
<i>Passed through Clark County Educational Service Center</i>					
Special Education - Preschool Grants	84.173	23,988		23,988	
Total Special Education Cluster		<u>715,381</u>		<u>718,054</u>	
<i>Passed through Ohio Department of Education</i>					
English Language Acquisition State Grants	84.365	38,587		36,257	
Improving Teacher Quality State Grants	84.367	152,623		151,794	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	85,384		86,052	
Education Jobs Fund	84.410	139,430		142,368	
Total U.S. Department of Education		<u>2,118,303</u>		<u>2,127,598</u>	
Total Federal Financial Assistance		<u>\$3,068,851</u>	<u>\$151,254</u>	<u>\$3,078,146</u>	<u>\$151,254</u>

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

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2014, wherein we noted the District adopted provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Tecumseh Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Tecumseh Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Tecumseh Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2014

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program: CFDA #10.553 National School Lunch Program: CFDA #10.555 Special Education Cluster: Special Education – Grants to States: CFDA #84.027 Special Education – Preschool Grants: CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Material Weakness – Financial Statement Misstatements

The District prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The District's fiscal year 2013 financial statements contained errors which resulted in the following reclassifications and adjustments to correctly report the financial activity of the District:

Governmental Activities

- Long-Term Liabilities Due Within One Year was understated by \$595,000.
- Long-Term Liabilities Due In More Than One Year was overstated by \$595,000.

General Fund

- Assigned fund balance was overstated by \$131,287 and unassigned fund balance was understated by \$131,287.
- Deferred Inflows for Unavailable Revenue was understated by \$524,366.
- Deferred Inflows for Property Taxes not Levied to Finance Current Year Operations was overstated by \$524,366.

Ohio School Facilities Maintenance Fund (Part of Other Governmental Funds)

- Deferred Inflows for Unavailable Revenue was understated by \$7,144.
- Deferred Inflows for Property Taxes not Levied to Finance Current Year Operations was overstated by \$7,144.

Permanent Improvement Fund (Part of Other Governmental Funds)

- Property Taxes Receivable was overstated by \$557,333.
- Deferred Inflows for Unavailable Revenue was understated by \$57,280.
- Deferred Inflows for Property Taxes not Levied to Finance Current Year Operations was overstated by \$614,613.

Bond Retirement Fund

- Property Taxes Receivable was understated by \$557,333
- Deferred Inflows for Unavailable Revenue was understated by \$66,586.
- Deferred Inflows for Property Taxes not Levied to Finance Current Year Operations was understated by \$490,747.

The above errors required adjustment to the financial statements. Additionally, after the above adjustments related to property taxes/deferred inflows were made to the financial statements, the District's Bond Retirement Fund met the criteria to be reported as a major fund, but the District did not report it as a major fund in its financial statements. Additionally, the Permanent Improvement Fund was reported as a major fund, but the fund no longer met the criteria to be reported as a major fund. The financial statements were also then adjusted to properly report the Bond Retirement Fund as a major fund and the Permanent Improvement Fund as a non-major fund within Other Governmental Funds.

**FINDING NUMBER 2013-001
(Continued)**

We also identified another error that was not material to the financial statements and was reported to management as an unadjusted difference. This error involved an incorrect calculation of net investment in capital assets on the government-wide statement of net position. Net investment in capital assets was understated by \$2,121,436 and unrestricted net position was overstated by the same amount.

Failure to review the District's annual financial report could result in materially misstated financial statements and misleading financial information. The District should implement procedures to review its annual GAAP financial statements to ensure that any significant errors are identified and corrected.

Officials' Response:

Governmental Activities: Long-Term Liabilities Due Within One Year was understated by \$595,000 our compiler had sent me a revised statement and thought that she had also sent the Auditor of State the revised copy.

Delinquent tax amounts were grouped with deferred inflows for property taxes not levied to finance current year instead of deferred inflows for unavailable revenues. In the past, these items were grouped together on the financial statements; however, with the implementation of GASB statement 65, these items were separated. Audit staff felt the delinquent taxes were better grouped with deferred outflows for unavailable revenue. The Deferred outflows in total were correct. When informed of audit's preferred classification for delinquent taxes, the change was made.

The Permanent Improvement Fund and Bond Retirement Fund Taxes Receivable were transposed – we will take extra caution to avoid this in the future; however, the overall total was the same.

The \$2,121,436 net investment in capital assets according to Auditor of State's calculations was understated and the unrestricted net position was overstated. Our compiler has calculated the same way for five years and it was never addressed as being incorrect. She will change her calculation in the future to agree with the Auditor of State's method.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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TECUMSEH LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2014**