



**TALAWANDA SCHOOL DISTRICT
BUTLER COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2023

**TALAWANDA SCHOOL DISTRICT
BUTLER COUNTY
JUNE 30, 2023**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	54
Schedules of School District’s Proportionate Share of the Net Pension Liability and School District Pension Contributions (School Employees Retirement System of Ohio)	55
Schedules of School District’s Proportionate Share of the Net Pension Liability and School District Pension Contributions (State Teachers Retirement System of Ohio).....	56
Schedules of School District’s Proportionate Share of the Net OPEB Liability and School District OPEB Contributions (School Employees Retirement System of Ohio)	57
Schedules of School District’s Proportionate Share of the Net OPEB Liability/(Asset) and School District OPEB Contributions (State Teachers Retirement System of Ohio).....	58

**TALAWANDA SCHOOL DISTRICT
BUTLER COUNTY
JUNE 30, 2023**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Notes to Required Supplementary Information School Employees Retirement System of Ohio	59
Notes to Required Supplementary Information State Teachers Retirement System of Ohio	60
Notes to Required Supplementary Information	62
Schedule of Expenditures of Federal Awards	65
Notes to the Schedule of Expenditures of Federal Awards.....	66
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	67
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	69
Schedule of Findings.....	73

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Talawanda School District
Butler County
131 West Chestnut Street
Oxford, Ohio 45056

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talawanda School District, Butler County, Ohio (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Talawanda School District, Butler County, Ohio as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber
Auditor of State
Columbus, Ohio
March 19, 2024

This page intentionally left blank.

TALAWANDA SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) Year Ended June 30, 2023

This discussion and analysis provides key information from management highlighting the overall financial performance of the Talawanda School District for the year ended June 30, 2023. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2023 are listed below:

- ✓ The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$32,996,119.
- ✓ In total, net position increased by \$3,667,567.
- ✓ The School District had \$45,358,820 in expenses related to governmental activities; only \$5,373,449 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$43,652,938 made up primarily of property and income taxes as well as State Foundation payments, was used to provide for these programs.
- ✓ The General Fund's ending fund balance decreased by \$3,178,081 from \$23,056,995 at June 30, 2022 to \$19,878,914 at June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District are reported as governmental funds.

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

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

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2023 and 2022:

	Governmental Activities	
	<u>FY23</u>	<u>FY22</u>
Current and other assets	\$ 65,718,817	\$ 64,657,121
Capital assets	<u>76,095,357</u>	<u>75,128,542</u>
Total assets	<u>141,814,174</u>	<u>139,785,663</u>
Deferred outflows of resources	<u>10,719,709</u>	<u>10,858,578</u>
Long-term liabilities:		
Net pension liability	38,997,484	23,505,013
Net OPEB liability	1,964,210	2,484,303
Other long-term amounts	38,164,511	41,891,072
Other liabilities	<u>7,275,157</u>	<u>6,776,891</u>
Total liabilities	<u>86,401,362</u>	<u>74,657,279</u>
Deferred inflows of resources	<u>33,136,402</u>	<u>46,658,410</u>
Net position:		
Net investment in capital assets	40,879,433	36,306,406
Restricted:		
For capital projects	2,525,266	2,191,686
For debt service	3,253,092	3,023,737
For other purposes	5,422,366	4,524,827
Unrestricted (deficit)	<u>(19,084,038)</u>	<u>(16,718,104)</u>
Total net position	<u>\$ 32,996,119</u>	<u>\$ 29,328,552</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

The net pension liability is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, and the net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB liability/(asset) equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension and OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems are responsible for the administration of the pension and OPEB plans.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension or net OPEB liabilities. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement Nos. 68 and 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability, and net OPEB asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The largest portion of the School District's positive net position is in net investment in capital assets. The School District uses these capital assets to provide educational services to its students. Accordingly, these assets are not available for future spending. An additional portion of the School District's net position (\$11,200,724) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position (deficit) at June 30, 2023 was (\$19,084,038). However, if the components of recording the net pension and OPEB liabilities and net OPEB asset are removed from the Statement of Net Position, the School District's unrestricted net position would be a positive \$17,421,725. We feel this is important to mention as the management of the School District has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension and OPEB liabilities and net OPEB asset that significantly impact the School District's financial statements.

At June 30, 2023, the School District experienced an increase in its total assets of approximately \$2.0 million, or 1%. The increase primarily occurred in taxes receivable, as there was an increase in delinquent property taxes outstanding, and work beginning on an estimated \$4.1 million bus maintenance garage.

Total liabilities increased approximately \$11.7 million, or 16%, primarily due to the increase in net pension liability. The net pension liability increased significantly due to a volatile investment market during the measurement period – the School Employees Retirement System (SERS) reported an annual money-weighted rate of return of -1.93% (compared to 28.18% in the prior year), while the State Teachers Retirement System (STRS) reported an annual money-weighted rate of return of -3.55% (compared to 29.24% in the prior year). Other long-term liabilities decreased as the School District satisfied its annual debt service requirements on the outstanding bonds, certificates of participation and lease-purchase agreement.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

B. Governmental Activities during fiscal year 2023

The following table presents a condensed summary of the School District's activities during fiscal year 2023 and 2022 and the resulting change in net position:

	<u>FY23</u>	<u>FY22</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 2,228,064	\$ 1,611,694
Operating grants and contributions	3,145,385	4,074,847
Total program revenues	<u>5,373,449</u>	<u>5,686,541</u>
General revenues:		
Taxes	31,305,560	32,024,387
Grants and entitlements	11,037,327	10,846,895
Investment earnings	471,894	(750,783)
Miscellaneous	838,157	890,315
Total general revenues	<u>43,652,938</u>	<u>43,010,814</u>
Total revenues	<u>49,026,387</u>	<u>48,697,355</u>
Expenses:		
Instruction	26,251,537	23,453,294
Support services	15,879,990	13,690,978
Non-instructional services	1,027,876	893,432
Interest on long-term debt	932,599	1,000,231
Food services	1,266,818	1,189,387
Total expenses	<u>45,358,820</u>	<u>40,227,322</u>
Change in net position	3,667,567	8,470,033
Net position beginning of year	<u>29,328,552</u>	<u>20,858,519</u>
Net position end of year	<u>\$ 32,996,119</u>	<u>\$ 29,328,552</u>

Of the total governmental activities revenue of \$49,026,387, \$5,373,449 is from program revenue. This means that the School District relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$31,305,560 (72%) comes from property and income taxes and \$11,037,327 (25%) is from state funding. The School District's operations are reliant upon its property tax levy, income taxes and the state's foundation program.

In total, revenues increased by approximately \$329,000, or less than 1%. The School District benefited from an increase in investment earnings, due to better investment rates, and charges for services from food services, as COVID-related funding used in prior years to subsidize student lunches winding down. These increases were partially offset by decreases in operating grants, due to the aforementioned winding down of COVID-related funding, and property taxes, due to swings in the amount of taxes the County Auditor had available to advance to the School District between years.

Total expenses increased by approximately \$5.1 million, or 13%, primarily due to increase in the net pension liability previously discussed.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

Governmental Activities

The following table presents the total cost of each of the School District's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 12% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$26,251,537 but program revenue contributed to fund 10% of those costs. Thus, general revenues of \$23,546,692 were used to support the remainder of the instruction costs.

	Governmental Activities			
	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 26,251,537	\$ 2,704,845	10%	\$ 23,546,692
Support services	15,879,990	854,330	5%	15,025,660
Non-instructional services	1,027,876	302,682	29%	725,194
Food service	1,266,818	1,511,592	119%	(244,774)
Interest on long-term debt	<u>932,599</u>	<u>-</u>	0%	<u>932,599</u>
Total	<u>\$ 45,358,820</u>	<u>\$ 5,373,449</u>	<u>12%</u>	<u>\$ 39,985,371</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprise \$50,609,596 (82%) of the total \$62,077,221 governmental funds' assets.

General Fund. Fund balance at June 30, 2023 was \$19,878,914, including \$18,793,641 of unassigned balance, which represents 45% of expenditures for fiscal year 2023. Overall, the General Fund experienced a decrease of 14%. While total revenue only increased less than 1%, total expenditures increased by 11%, due to a combination of the COVID-related funding that was used to offset some General Fund costs winding down, beginning work on the bus maintenance garage project, and general inflationary increases for salaries, benefits and utilities.

Debt Service Fund. The Debt Service Fund had a fund balance at June 30, 2023 of \$3,123,342, an increase of \$61,558 from the prior fiscal year. The Debt Service Fund is used to accumulate resources to retire the School District's general obligation bonds. All required bond payments were made as scheduled during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. The final revenue budget was increased by 6.3% to account for better tax collections and tuition and fees. The final expenditures budget was reduced by 2.9% from the original budget as actual spending activity was realized. Actual expenditures came in less than budgeted by \$241,389, due to conservative budgeting.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2023, the School District had \$76,095,357 invested in a broad range of capital assets, including land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Activity during the fiscal year primarily consisted of acquisition of furniture and equipment and start of the bus maintenance garage project. See Note 5 to the financial statements for more detail.

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

	FY23	FY22
Land	\$ 2,473,497	\$ 2,473,497
Construction in progress	3,303,974	-
Land improvements	206,526	179,329
Buildings and improvements	68,851,218	70,630,625
Furniture and equipment	1,234,653	1,812,121
Vehicles	25,489	32,970
Total	\$ 76,095,357	\$ 75,128,542

Debt. As of June 30, 2023, the School District had \$31,245,000 outstanding in general obligation school improvement bonds and certificates of participation after making its scheduled principal payments, with \$3,035,000 due in fiscal year 2024. See Note 10 to the financial statements.

ECONOMIC FACTORS

In November 2004, the School District passed a 1% School District Income Tax that has generated over \$6 million annually, reaching \$9.4 million (cash basis) in fiscal year 2023. The School District continues working hard to maintain a positive general fund cash balance through the 2028 school year.

The School District began taking certain cost reduction measures beginning in fiscal year 2008 that has continued through fiscal year 2023. These measures include attrition, increased class sizes and plan design changes for the School District's medical/dental plan consortium (called Butler Health Plan). To counteract the deficit spending that started to occur in fiscal year 2019, and the erosion of our ending cash balance, the Board of Education attempted to put a 5.7 mill levy on the November 2022 election ballot. This levy would have generated approximately \$4.8 million dollars annually and would have allowed the School District to maintain its wide variety of educational programs that it has been known for. Alas, the levy failed, and the School District has put together a three-year cost savings plan reducing some of the educational programs, being more in line with State minimums. Also, while Butler Health Plan has experienced market funding/loss ratios which allowed their Board of Trustees to have relatively low premium inflation (1.6%) compared to the prior year. In the calendar year 2023, we saw a 17% jump in premium rates.

TALAWANDA SCHOOL DISTRICT, OHIO
Management's Discussion and Analysis
Year Ended June 30, 2023
Unaudited

In December 2013, the Board of Education and the Ohio Facilities Construction Commission (OFCC) executed an agreement to construct a new 70,000 square foot elementary school in Oxford, OH. This new elementary replaced the School District's existing Kramer Elementary (at the same site). The cost of the new Kramer Elementary was \$17.1 million and the State paid \$11.5 million (or 67%) of this cost based on credits the School District previously earned through the State's Expedited Local Partnership Program. The balance was funded by the School District with \$3.82 million in Certificates of Participation (COPs), issued in August 2014; proceeds from disposition of its old high school site to Miami University; and additional locally funded initiatives for \$709,000, approved by the Board of Education in July 2015.

The debt service for the Kramer COPs is being paid from the School District's existing and ongoing permanent improvement fund and not the general fund nor a bond issue.

The new Kramer building (called Phase I) was completed on-time in December 2016 and the students, faculty and staff took occupancy of the new facility in January 2017 after the holiday break. Phase II of the project (consisting mostly of a new parking lot and certain other site work) continued through fiscal year 2018. The project continues to be in the close-out process with OFCC.

In September 2017, the Board of Education unanimously approved a resolution to participate in a Segment-Two as part of OFCC's Construction Facilities Assistance Program. This segment will replace the School District's Marshall Elementary with a new facility at the existing site. This is a 47,666 square foot project with a state and local share of \$3.4 million and \$7.5 million, respectively. Similar to Kramer, the School District's local share for the Marshall project will be funded internally using \$8 million in COPs that were issued in January 2018.

The Commission unanimously approved the Marshall project at its meeting on October 26, 2017. The official funding request was approved by the Ohio's Controlling Board on December 4, 2017. The official Project Agreement between the Commission and the School District's Board was fully executed on July 13, 2018. The project has completed its GMP phase, received the results of the contractor bids, and broke ground in March 2020. Students and staff started the 2021/2022 school year in the building, having received its official occupancy; while the School District and construction company continue to work through getting the building commissioned and the closeout process started with OFCC.

COVID-19 created some uncertainty on the School District's operations. The School District closed schools on March 16, 2020 based on Governor's orders. In May 2020, the State cut school foundation program funds to school districts by \$300 million, leading to a \$752,000 cut for the School District. The School District has received assistance from the Federal CARES Act and ESSER funds to help offset some funding cuts, and the Fair School Funding Plan is in its 3rd year of execution, and while we are not seeing much of an increase in State funding, we are not losing any as well due to the district being on the 'guarantee'.

REQUESTS FOR ADDITIONAL INFORMATION

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

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 32,628,346
Receivables:	
Taxes	28,918,764
Accounts	90,538
Intergovernmental	157,513
Interest	21,562
Supplies inventory	14,725
Prepaid items	204,729
Net OPEB asset	3,682,640
Nondepreciable capital assets	5,777,471
Depreciable capital assets, net	<u>70,317,886</u>
Total assets	<u>141,814,174</u>
Deferred Outflows of Resources:	
Pension	9,623,901
OPEB	<u>1,095,808</u>
Total deferred outflows of resources	<u>10,719,709</u>
Liabilities:	
Accounts payable	246,672
Accrued wages and benefits	3,734,016
Intergovernmental payable	515,164
Accrued interest payable	113,446
Unearned revenue	2,665,859
Noncurrent liabilities:	
Due within one year	3,442,357
Due more than one year:	
Net pension liability	38,997,484
Net OPEB liability	1,964,210
Other amounts due more than one year	<u>34,722,154</u>
Total liabilities	<u>86,401,362</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	22,952,592
Deferred charges on refunding	237,392
Pension	4,341,744
OPEB	<u>5,604,674</u>
Total deferred inflows of resources	<u>33,136,402</u>
Net Position:	
Net investment in capital assets	40,879,433
Restricted for:	
Capital projects	2,525,266
Debt service	3,253,092
Other purposes	5,422,366
Unrestricted (deficit)	<u>(19,084,038)</u>
Total net position	<u>\$ 32,996,119</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Activities
Year Ended June 30, 2023

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 20,804,390	\$ 1,370,835	\$ 295,194	\$ (19,138,361)
Special education	4,821,569	-	954,730	(3,866,839)
Other instruction	625,578	-	84,086	(541,492)
Support services:				
Pupil	3,222,278	-	239,768	(2,982,510)
Instructional staff	1,166,930	-	145,251	(1,021,679)
Board of Education	95,257	-	-	(95,257)
Administration	2,379,252	-	-	(2,379,252)
Fiscal	1,409,004	-	-	(1,409,004)
Business	15,067	-	-	(15,067)
Operation and maintenance of plant	4,271,573	-	469,311	(3,802,262)
Pupil transportation	3,027,208	-	-	(3,027,208)
Central	293,421	-	-	(293,421)
Non-instructional services:				
Extracurricular activities	995,454	243,781	45,872	(705,801)
Community service	32,422	-	13,029	(19,393)
Food service	1,266,818	613,448	898,144	244,774
Interest on long-term debt	932,599	-	-	(932,599)
Total Governmental Activities	\$ 45,358,820	\$ 2,228,064	\$ 3,145,385	(39,985,371)

General Revenues:

Property taxes, levied for general purposes	17,014,667
Property taxes, levied for debt service	3,521,621
Property taxes, levied for capital projects	1,543,462
Income taxes	9,225,810
Grants and entitlements not restricted to specific programs	11,037,327
Investment earnings	471,894
Miscellaneous	838,157
Total general revenues	43,652,938
Change in net position	3,667,567
Net position beginning of year	29,328,552
Net position end of year	\$ 32,996,119

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2023

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 19,831,236	\$ 3,055,040	\$ 9,742,070	\$ 32,628,346
Receivables:				
Taxes	23,289,156	4,036,103	1,593,505	28,918,764
Accounts	90,538	-	-	90,538
Accrued interest	19,842	-	1,720	21,562
Intergovernmental	42,185	-	115,328	157,513
Prepaid items	204,452	-	277	204,729
Supplies inventory	-	-	14,725	14,725
Interfund receivable	41,044	-	-	41,044
Total assets	<u>\$ 43,518,453</u>	<u>\$ 7,091,143</u>	<u>\$ 11,467,625</u>	<u>\$ 62,077,221</u>
Liabilities:				
Accounts payable	\$ 121,923	\$ -	\$ 124,749	\$ 246,672
Accrued wages and benefits	3,477,140	-	256,876	3,734,016
Intergovernmental payable	498,608	-	16,556	515,164
Interfund payable	-	-	41,044	41,044
Unearned revenue	-	-	2,665,859	2,665,859
Compensated absences payable	22,737	-	-	22,737
Total liabilities	<u>4,120,408</u>	<u>-</u>	<u>3,105,084</u>	<u>7,225,492</u>
Deferred Inflows of Resources:				
Taxes levied for next fiscal year	17,740,474	3,724,605	1,487,513	22,952,592
Unavailable revenue	1,778,657	243,196	190,963	2,212,816
Total deferred inflows of resources	<u>19,519,131</u>	<u>3,967,801</u>	<u>1,678,476</u>	<u>25,165,408</u>
Fund Balances:				
Nonspendable	233,174	-	15,002	248,176
Restricted	-	3,123,342	7,045,195	10,168,537
Assigned	852,099	-	-	852,099
Unassigned	18,793,641	-	(376,132)	18,417,509
Total fund balances	<u>19,878,914</u>	<u>3,123,342</u>	<u>6,684,065</u>	<u>29,686,321</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,518,453</u>	<u>\$ 7,091,143</u>	<u>\$ 11,467,625</u>	<u>\$ 62,077,221</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total Governmental Fund Balances		\$ 29,686,321
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		76,095,357
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		2,212,816
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
GO bonds and COPS	(31,245,000)	
Unamortized premiums	(3,302,277)	
Deferred charges	(237,392)	
Compensated absences	(3,011,497)	
Lease-purchase agreement	(583,000)	
Accrued interest payable	(113,446)	
Total	(38,492,612)	(38,492,612)
The net pension and OPEB liabilities are not due and payable in the current period. The net OPEB asset is not available to pay current period expenditures. Therefore, the asset, liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds:		
Deferred outflows - pensions	9,623,901	
Deferred inflows - pensions	(4,341,744)	
Net pension liability	(38,997,484)	
Deferred outflows - OPEB	1,095,808	
Deferred inflows - OPEB	(5,604,674)	
Net OPEB asset	3,682,640	
Net OPEB liability	(1,964,210)	
Total	(36,505,763)	(36,505,763)
Net Position of Governmental Activities		<u>\$ 32,996,119</u>

See accompanying notes to the basic financial statements.

TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 16,234,240	\$ 3,362,967	\$ 1,494,652	\$ 21,091,859
Income taxes	9,212,253	-	-	9,212,253
Tuition and fees	1,236,553	-	-	1,236,553
Interest	446,756	-	25,158	471,914
Charges for services	134,282	-	706,427	840,709
Intergovernmental	10,498,711	372,796	3,603,116	14,474,623
Other local revenues	616,975	-	371,984	988,959
Total revenues	<u>38,379,770</u>	<u>3,735,763</u>	<u>6,201,337</u>	<u>48,316,870</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,324,492	-	356,370	18,680,862
Special education	3,920,567	-	964,374	4,884,941
Other instruction	543,733	-	83,402	627,135
Support services:				
Pupil	2,765,886	-	364,717	3,130,603
Instructional staff	1,043,531	-	156,222	1,199,753
Board of Education	95,478	-	-	95,478
Administration	2,505,156	-	-	2,505,156
Fiscal	1,407,685	40,980	18,265	1,466,930
Business	15,067	-	-	15,067
Operation and maintenance of plant	3,388,554	-	544,180	3,932,734
Pupil transportation	3,016,506	-	-	3,016,506
Central	310,445	-	-	310,445
Non-instructional services:				
Extracurricular activities	890,482	-	155,102	1,045,584
Community service	1,987	-	30,687	32,674
Food service	-	-	1,314,183	1,314,183
Capital outlay	3,370,767	-	391,566	3,762,333
Debt Service:				
Principal	-	2,565,000	551,000	3,116,000
Interest and fiscal charges	-	1,068,225	393,872	1,462,097
Total expenditures	<u>41,600,336</u>	<u>3,674,205</u>	<u>5,323,940</u>	<u>50,598,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,220,566)</u>	<u>61,558</u>	<u>877,397</u>	<u>(2,281,611)</u>
Other financing sources (uses):				
Transfers in	42,485	-	-	42,485
Transfers out	-	-	(42,485)	(42,485)
Total other financing sources (uses)	<u>42,485</u>	<u>-</u>	<u>(42,485)</u>	<u>-</u>
Net change in fund balance	(3,178,081)	61,558	834,912	(2,281,611)
Fund balance, beginning of year	23,056,995	3,061,784	5,849,153	31,967,932
Fund balance, end of year	<u>\$ 19,878,914</u>	<u>\$ 3,123,342</u>	<u>\$ 6,684,065</u>	<u>\$ 29,686,321</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds **\$ (2,281,611)**

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

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

Capital asset additions	3,602,059
Depreciation expense	(2,635,244)

Principal paid on long-term debt is recorded as an expenditure in the governmental funds, but is recorded as a reduction of the long-term liability on the statement net position.	3,116,000
--	-----------

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

Compensated absences	113,590
Amortization of premiums	483,792
Accrued interest	9,143
Deferred charges	36,563

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	648,952
--	---------

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities report these amounts as deferred outflows:	
Pension	3,347,768
OPEB	101,948

Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension and OPEB asset and liabilities are reported as pension and negative OPEB expenses in the statement of activities:	
Pension	(3,661,262)
OPEB	<u>785,869</u>

Change in Net Position of Governmental Activities **\$ 3,667,567**

See accompanying notes to the basic financial statements.

This page intentionally left blank.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

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

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

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

C. Fund Accounting

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

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting

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

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

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

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

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

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

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, deferred charges on refunding, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes represent amounts that are measurable as of June 30, 2023, but are intended to finance 2024 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 7 and 8).

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Deferred Outflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 7 and 8).

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. During fiscal year 2023, the School District's investments were limited to U.S. money market funds, U.S. Government Agency notes, brokered certificates of deposit, commercial paper, municipal bonds, U.S. Treasury notes and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2023, which approximates fair value.

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2023 at fair value.

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

F. Prepaid Items

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

G. Inventory

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund 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 funds. However, compensated absences 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. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

K. Pension and OPEB

For purposes of measuring the net pension and OPEB asset and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the retirement systems and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

L. Fund Balances

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

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

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

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

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

M. Unearned Revenue

Unearned revenue represents amounts received prior to being earned. For the School District, unearned revenue was reported for State and Federal grants received in excess of project expenditures/expenses.

N. Net Position

Net position represents the sum of assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position 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.

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

O. Estimates

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

2. DEPOSITS AND INVESTMENTS

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

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2. DEPOSITS AND INVESTMENTS—*continued*

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, or by the Ohio Pooled Collateral System, to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to be deposited or invested in the following securities:

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

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2. DEPOSITS AND INVESTMENTS—*continued*

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$7,265,106 of the School District's bank balance of \$7,515,106 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investments at June 30, 2023 are summarized as follows:

	Balance at 6/30/23	Average Maturity (Years)	Concentration of Credit Risk	Moody's/ S&P Ratings
<u><i>Amortized Cost</i></u>				
STAR Ohio	\$ 209,190	0.11	0.78%	AAAm
U.S. Money Market Funds	28,101	0.09	0.11%	AAAm
<u><i>Fair Value - Level 1</i></u>				
U.S. Treasury Notes	1,495,592	0.95	5.62%	n/a
<u><i>Fair Value - Level 2</i></u>				
U.S. Government Agency Notes	9,108,243	1.98	34.23%	AA+ - AAA
Municipal Bonds	3,263,594	2.29	12.26%	AA - AAA
Brokered CD's	5,561,138	1.20	20.90%	<i>not rated</i>
Commercial Paper	6,945,959	0.25	<u>26.10%</u>	A-1 - A-1+
	<u>\$ 26,611,817</u>		<u>100.00%</u>	

Credit Risk. It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations.

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

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

Fair Value Measurement. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs based on pricing data obtained from observed transactions and market price quotations from broker dealers and/o pricing vendors. STAR Ohio is reported at its net asset value per share and U.S. money market funds are valued at amortized cost.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

3. PROPERTY TAXES

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2023. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amounts available as advances at June 30, 2023, were \$319,005 in the General Fund, \$68,302 in the Debt Service Fund, and \$30,357 in the Other Governmental Funds.

The assessed values upon which fiscal year 2023 taxes were collected are:

		<u>2022 First- Half Collections</u>		<u>2023 First- Half Collections</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$	794,481,360	93.64%	799,493,450	93.69%
Public Utility Property		<u>53,958,580</u>	6.36%	<u>53,856,830</u>	6.31%
Total Assessed Value	\$	<u>848,439,940</u>	100.00%	<u>853,350,280</u>	100.00%
 Tax rate per \$1,000 of assessed valuation		 \$54.80		 \$54.80	

4. INCOME TAXES

In November 2004, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2023, the School District recorded income tax revenue of \$9,225,810 in the entity-wide financials and a receivable as of June 30, 2023 of \$4,071,726.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance 7/1/22	Additions	Disposals	Balance 6/30/23
Governmental Activities				
Nondepreciable:				
Land	\$ 2,473,497	\$ -	\$ -	\$ 2,473,497
Construction in progress	-	3,303,974	-	3,303,974
	<u>2,473,497</u>	<u>3,303,974</u>	<u>-</u>	<u>5,777,471</u>
Depreciable:				
Land improvements	1,856,499	35,432	-	1,891,931
Buildings and improvements	99,842,449	-	-	99,842,449
Vehicles	539,352	-	-	539,352
Equipment and furniture	14,199,348	262,653	-	14,462,001
Educational media	1,253,844	-	-	1,253,844
Subtotal	<u>117,691,492</u>	<u>298,085</u>	<u>-</u>	<u>117,989,577</u>
Totals at historical cost	<u>120,164,989</u>	<u>3,602,059</u>	<u>-</u>	<u>123,767,048</u>
Less accumulated depreciation:				
Land improvements	1,677,170	8,235	-	1,685,405
Buildings and improvements	29,211,824	1,779,407	-	30,991,231
Vehicles	506,382	7,481	-	513,863
Equipment and furniture	12,387,227	840,121	-	13,227,348
Educational media	1,253,844	-	-	1,253,844
Total accumulated depreciation	<u>45,036,447</u>	<u>2,635,244</u>	<u>-</u>	<u>47,671,691</u>
Capital assets, net	<u>\$ 75,128,542</u>	<u>\$ 966,815</u>	<u>\$ -</u>	<u>\$ 76,095,357</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 2,278,548
Special education	6,370
Other instruction	4,000
Support services:	
Pupil	62,033
Instructional staff	3,346
Administration	3,040
Fiscal	2,284
Operation and maintenance of plant	228,463
Pupil transportation	10,702
Community service	1,594
Extracurricular activities	20,568
Food service	14,296
Total depreciation expense	<u>\$ 2,635,244</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the School District participated in the Ohio School Plan, a risk sharing pool (Note 14) for liability, property, auto, and crime insurance to address these various types of risk. Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

7. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for contractually-required pension contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS—continued

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, and Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The School District’s contractually required contribution to SERS was \$751,236 for fiscal year 2023.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. For members who were eligible to retire on July 1, 2015, the annual benefit is the greater of the benefit amount calculated upon retirement under the new benefit formula or the frozen benefit amount as of July 1, 2015. Effective August 1, 2021 to July 1, 2023, any member can retire with unreduced benefits with 34 years of service credit at any age or 5 years of service credit and age 65. Retirement eligibility for reduced benefits is 30 years of service credit at any age; or 29 years of service credit and age 55; or 5 years of service credit and age 60. Effective on or after August 1, 2023, any member can retire with unreduced benefits with 35 years of service credit at any age or 5 years of service credit at age 65. Retirement eligibility for reduced benefits is 30 years of service credit at any age or 5 years of service credit and age 60.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS—*continued*

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liabilities. Effective July 1, 2022, 2.91% of salaries are used to pay for unfunded liabilities. 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 CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the CO Plan payment is payable to a member on or after age 60 with 5 years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or CO Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2023, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,596,532 for fiscal year 2023. Of this amount, \$413,216 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS—continued

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 7,381,030	\$ 31,616,454	\$ 38,997,484
Proportion of the Net Pension Liability	0.1365%	0.1422%	
Change in Proportion	0.0094%	-0.0049%	
Pension Expense	\$ 105,124	\$ 3,556,138	\$ 3,661,262

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 298,938	\$ 404,732	\$ 703,670
Net difference between projected and actual earnings on pension plan investments	-	1,100,183	1,100,183
Change in assumptions	72,830	3,783,540	3,856,370
Change in School District's proportionate share and difference in employer contributions	346,642	269,268	615,910
School District's contributions subsequent to the measurement date	<u>751,236</u>	<u>2,596,532</u>	<u>3,347,768</u>
Total Deferred Outflows of Resources	<u>\$ 1,469,646</u>	<u>\$ 8,154,255</u>	<u>\$ 9,623,901</u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 48,455	\$ 120,943	\$ 169,398
Net difference between projected and actual earnings on pension plan investments	257,564	-	257,564
Change in assumptions	-	2,847,918	2,847,918
Change in School District's proportionate share and difference in employer contributions	<u>267,534</u>	<u>799,330</u>	<u>1,066,864</u>
Total Deferred Inflows of Resources	<u>\$ 573,553</u>	<u>\$ 3,768,191</u>	<u>\$ 4,341,744</u>

\$3,347,768 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2024	\$ (61,053)	\$ 3,572	\$ (57,481)
2025	145,816	(289,620)	(143,804)
2026	(367,936)	(1,130,842)	(1,498,778)
2027	428,030	3,206,422	3,634,452
	<u>\$ 144,857</u>	<u>\$ 1,789,532</u>	<u>\$ 1,934,389</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS—continued

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Inflation	2.40%
Future Salary Increases, including Inflation COLA or Ad Hoc COLA	3.25% to 13.58% 2.00%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
Investment Rate of Return	7.00% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighed Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS—continued

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	(0.45%)
U.S. Equity	24.75%	5.37%
Non-U.S. Equity Developed	13.50%	6.22%
Non-U.S. Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
	<u>100.00%</u>	

Discount Rate – Total pension liability was calculated using the discount rate of 7.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.0%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.0%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%), or one percentage point higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
School District's proportionate share of the net pension liability	\$10,864,522	\$7,381,030	\$4,446,233

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS—continued

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by service from 2.5% to 8.5%
Payroll increases	3.00%
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%
Cost-of-living adjustments (COLA)	0%

Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

For healthy retirees, the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table, adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return**</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
	<u>100.00%</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total pension liability was 7.0% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7. DEFINED BENEFIT PENSION PLANS—continued

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.0%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension liability	\$47,760,954	\$31,616,454	\$17,963,208

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2023, one of the members of the Board of Education has elected social security. The Board's liability is 6.2% of wages paid.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability to (or assets for) employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability (asset) represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trend rates and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—SERS' Health Care program provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986 need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, there was no portion allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, the minimum compensation amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$101,948.

Plan Description - State Teachers Retirement System (STRS)

Plan Description—The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS Board to offer this plan.

Coverage under the current program includes hospitalization, physicians' fees and prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS health care plans include creditable prescription drug coverage. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—continued

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,964,210	\$ (3,682,640)	\$ (1,718,430)
Proportion of the Net OPEB Liability (Asset)	0.1399%	0.1422%	
Change in Proportion	0.0086%	-0.0049%	
(Negative) OPEB Expense	\$ (151,228)	\$ (634,641)	\$ (785,869)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 16,512	\$ 53,385	\$ 69,897
Net difference between projected and actual earnings on OPEB plan investments	10,209	64,106	74,315
Change in assumptions	312,433	156,868	469,301
Change in School District's proportionate share and difference in employer contributions	324,717	55,630	380,347
School District's contributions subsequent to the measurement date	<u>101,948</u>	<u>-</u>	<u>101,948</u>
Total Deferred Outflows of Resources	<u>\$ 765,819</u>	<u>\$ 329,989</u>	<u>\$ 1,095,808</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 1,256,452	\$ 553,061	\$ 1,809,513
Change in assumptions	806,323	2,611,344	3,417,667
Change in School District's proportionate share and difference in employer contributions	<u>377,487</u>	<u>7</u>	<u>377,494</u>
Total Deferred Inflows of Resources	<u>\$ 2,440,262</u>	<u>\$ 3,164,412</u>	<u>\$ 5,604,674</u>

\$101,948 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2024	\$ (412,094)	\$ (815,648)	\$ (1,227,742)
2025	(404,047)	(814,021)	(1,218,068)
2026	(359,962)	(391,839)	(751,801)
2027	(259,769)	(163,453)	(423,222)
2028	(165,247)	(214,672)	(379,919)
2029-2031	<u>(175,272)</u>	<u>(434,790)</u>	<u>(610,062)</u>
	<u>\$ (1,776,391)</u>	<u>\$ (2,834,423)</u>	<u>\$ (4,610,814)</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Investment Rate of Return	7.00% net of investment expense, including inflation
Wage Inflation	2.40%
Future Salary Increases, including Inflation	3.25% to 13.58%
Municipal Bond Index Rate:	
Current measurement period	3.69%
Prior measurement period	1.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Current measurement period	4.08%
Prior measurement period	2.27%
Medical Trend Assumption	7.00% - 4.40%

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighed Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—continued

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	(0.45%)
U.S. Equity	24.75%	5.37%
Non-U.S. Equity Developed	13.50%	6.22%
Non-U.S. Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 1.5% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2044. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2043 and the Municipal Bond Index rate of 3.69% as of June 30, 2022 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 4.08%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.08%) and one percentage point higher (5.08%) than the current rate.

	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
School District's proportionate share of the net OPEB liability	\$2,439,578	\$1,964,210	\$1,580,458

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.40%) and one percentage point higher (8.00% decreasing to 5.40%) than the current rates.

	<u>1% Decrease</u> 6.00% decreasing to 3.40%)	<u>Current Cost</u> Trend Rate 7.00% decreasing to 4.40%)	<u>1% Increase</u> 8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,514,758	\$1,964,210	\$2,551,266

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	Varies by service from 2.5% to 8.5%	
Payroll increases	3.0%	
Investment rate of return	7.0%, net of investment expenses, including inflation	
Discount rate of return	7.0%	
Health care cost trends	<u>Initial</u>	<u>Ultimate</u>
Medical		
Pre-Medicare	7.50%	3.94%
Medicare	-68.78%	3.94%
Prescription Drug		
Pre-Medicare	9.00%	3.94%
Medicare	-5.47%	3.94%

Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Additionally, healthcare trends were updated to reflect emerging claims and recoveries experience.

For healthy retirees, the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table, adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return*</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
	<u>100.00%</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.0% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on OPEB plan assets of 7.0% was used to measure the total OPEB liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB (asset) calculated using the current period discount rate assumption of 7.0%, as well as what the School District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.0%) and one percentage point higher (8.0%) than the current rate. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
School District's proportionate share of the net OPEB (asset)	(\$3,404,503)	(\$3,682,640)	(\$3,920,886)
		<u>Current Cost Trend Rate</u>	
	<u>1% Decrease</u>	<u>1% Increase</u>	
School District's proportionate share of the net OPEB (asset)	(\$3,819,792)	(\$3,682,640)	(\$3,509,516)

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

9. EMPLOYEE BENEFITS

Compensated Absences

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

10. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2023 were as follows:

	Principal Outstanding 7/1/22	Additions	Reductions	Principal Outstanding 6/30/23	Amounts Due in One Year
Governmental Activities:					
Series 2014 Certificates of Participation:					
Serial bonds	2,865,000	-	(135,000)	2,730,000	140,000
Unamortized premiums	12,933	-	(804)	12,129	-
Series 2017 GO Refunding Bonds:					
Serial and term certificates	4,100,000	-	(410,000)	3,690,000	405,000
Unamortized premiums	327,385	-	(38,516)	288,869	-
Series 2018 Certificates of Participation:					
Serial bonds	6,955,000	-	(240,000)	6,715,000	245,000
Unamortized premiums	182,343	-	(9,351)	172,992	-
Series 2019 GO Refunding Bonds:					
Serial bonds	20,265,000	-	(2,155,000)	18,110,000	2,245,000
Unamortized premiums	3,263,408	-	(435,121)	2,828,287	-
Direct borrowing:					
Lease-purchase agreements	759,000	-	(176,000)	583,000	185,000
Compensated absences	3,161,003	117,429	(244,198)	3,034,234	222,357
Total	\$ 41,891,072	\$ 117,429	\$ (3,843,990)	\$ 38,164,511	\$ 3,442,357

General Obligation School Improvement Bonds

The School District issued \$4,530,000 in Series 2017 general obligation refunding bonds to currently refund \$4,940,000 of the Series 2007 general obligation refunding bonds. The bonds pay interest at rates ranging from 1.50% to 4.00% and mature on December 1, 2030.

The School District issued \$24,300,000 in Series 2019 general obligation refunding bonds to currently refund \$28,275,000 of the Series 2009 general obligation school improvement bonds originally issued to finance the construction of a new high school. The refunded bonds pay interest at rates ranging from 3.00% to 5.00% and mature on December 1, 2029.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

10. LONG-TERM OBLIGATIONS—continued

Certificates of Participation

The School District issued \$3,820,000 in Series 2014 Certificates of Participation that will, in combination with additional funding from the School District and funding from the Ohio Classroom Facilities Assistance Program, finance construction of a new Kramer Elementary School. The certificates pay interest at rates ranging from 2% to 3.75% and will fully mature on June 1, 2038.

The School District issued \$8,000,000 in Series 2018 certificates of participation that, in combination with funding from the Ohio Classroom Facilities Assistance Program, will finance renovations to Marshall Elementary School. The certificates pay interest at rates ranging from 3.00% to 4.00% and will fully mature on June 1, 2042.

Principal and interest requirements to retire the general obligations bonds and certificates of participation outstanding at June 30, 2023 are as follows:

General Obligation Bonds and Certificates of Participation			
Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 3,035,000	\$ 1,480,638	\$ 4,515,638
2025	3,150,000	1,330,014	4,480,014
2026	3,300,000	1,159,233	4,459,233
2027	3,460,000	980,064	4,440,064
2028	3,615,000	792,545	4,407,545
2029-2033	9,850,000	1,622,604	11,472,604
2034-2038	3,025,000	612,317	3,637,317
2039-2042	1,810,000	149,500	1,959,500
Total	\$ 31,245,000	\$ 8,126,913	\$ 39,371,913

Direct Borrowing – Lease-purchase Agreement

During 2006, the Board authorized financing in the amount of \$2,593,000 for the construction of a new elementary school with a direct borrowing lease-purchase agreement through the Ohio Association of School Business Official's Expanded Asset Pooled Financing Program.

The future minimum payments for the lease-purchase agreement as of June 30, 2023 were as follows:

Direct Borrowing Lease-Purchase Agreement			
Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 185,000	\$ 24,588	\$ 209,588
2025	194,000	15,414	209,414
2026	204,000	5,783	209,783
Total	\$ 583,000	\$ 45,785	\$ 628,785

All general obligation debt and certificates of participation are supported by the full faith and credit of the School District. Compensated absences will be paid primarily by the general fund. The general obligation bonds were paid from the debt service fund. The certificates of participation and lease-purchase agreement were paid from the nonmajor governmental permanent improvement fund.

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11. FUND BALANCE DEFICITS

At June 30, 2023, the following funds had a deficit fund balance:

Other Governmental Funds:

Elementary and Secondary School Emergency Relief Fund	\$ 243,585
IDEA, Part B Special Education Fund	76,644
Title I Grant Fund	43,992
IDEA Early Childhood Special Education Fund	1,428
Title II-A Supporting Effective Instruction Fund	10,483

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

12. FUND BALANCES

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

Fund Balances	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Inventory	\$ -	\$ -	\$ 14,725	\$ 14,725
Prepaid items	204,452	-	277	204,729
Unclaimed funds	28,722	-	-	28,722
<i>Total Nonspendable</i>	233,174	-	15,002	248,176
<i>Restricted for</i>				
Food Service Operations	-	-	632,544	632,544
Scholarships	-	-	211,436	211,436
Classroom Maintenance	-	-	3,300,328	3,300,328
Student Activities	-	-	93,294	93,294
Athletics	-	-	137,585	137,585
Other Purposes	-	-	68,632	68,632
Debt Service Payments	-	3,123,342	-	3,123,342
Capital Improvements	-	-	2,601,376	2,601,376
<i>Total Restricted</i>	-	3,123,342	7,045,195	10,168,537
<i>Assigned to</i>				
Public School Support	310,034	-	-	310,034
Purchases on Order	542,065	-	-	542,065
<i>Total Assigned</i>	852,099	-	-	852,099
<i>Unassigned</i>	18,793,641	-	(376,132)	18,417,509
<i>Total Fund Balance</i>	<u>\$ 19,878,914</u>	<u>\$3,123,342</u>	<u>\$ 6,684,065</u>	<u>\$29,686,321</u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

13. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

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

Southwest Ohio Computer Association

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

14. INSURANCE PURCHASING POOLS

Butler Health Plan

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

Ohio School Plan

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

15. CONTINGENCIES

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, if applicable, cannot be determined at this time.

Litigation

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

School Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2023 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2023 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

16. REQUIRED SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2022	\$ -
Current year set-aside requirement	643,382
Current year qualifying expenditures	(4,849,873)
Excess qualified expenditures from prior years	-
Total	<u>\$ (4,206,491)</u>
Set-aside reserve balance as of June 30, 2023	<u><u>\$ -</u></u>

TALAWANDA SCHOOL DISTRICT, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2023

17. COMMITMENTS

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2023, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$	663,912
Other Governmental Funds		<u>568,128</u>
	\$	<u><u>1,232,040</u></u>

18. INTERFUND TRANSACTIONS

Interfund transactions for the fiscal year June 30, 2023 consisted of the following:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 41,044	\$ -	\$ 42,485	\$ -
Other Governmental Funds	<u>-</u>	<u>41,044</u>	<u>-</u>	<u>42,485</u>
	<u><u>\$ 41,044</u></u>	<u><u>\$ 41,044</u></u>	<u><u>\$ 42,485</u></u>	<u><u>\$ 42,485</u></u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the general fund to finance various programs and capital improvements accounted for in other funds in accordance with budgetary authorizations.

This page intentionally left blank.

Required Supplementary Information

TALAWANDA SCHOOL DISTRICT, OHIO

Schedule of Revenues, Expenditures and Changes in Fund

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

General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$16,940,143	\$ 16,882,731	\$ 16,682,090	\$ (200,641)
Income taxes	8,035,233	9,578,721	9,464,884	(113,837)
Tuition and fees	840,000	1,249,106	1,234,261	(14,845)
Interest	240,000	556,615	550,000	(6,615)
Intergovernmental	10,476,035	10,582,551	10,456,784	(125,767)
Other local revenues	337,236	336,477	332,478	(3,999)
Total revenues	<u>36,868,647</u>	<u>39,186,201</u>	<u>38,720,497</u>	<u>(465,704)</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,804,767	18,434,069	18,405,979	28,090
Special education	3,942,196	3,896,103	3,920,926	(24,823)
Other instruction	482,929	427,778	524,392	(96,614)
Support services:				
Pupil	2,818,646	2,895,399	2,707,676	187,723
Instructional staff	1,124,082	1,073,374	1,036,857	36,517
Board of Education	40,917	115,766	114,373	1,393
Administration	3,814,729	2,709,866	2,501,017	208,849
Fiscal	1,352,063	1,328,386	1,420,912	(92,526)
Business	145,637	44,637	15,067	29,570
Operation and maintenance of plant	3,208,987	3,514,603	3,444,121	70,482
Pupil transportation	2,594,039	2,570,847	3,029,984	(459,137)
Central	308,881	312,811	305,949	6,862
Non-instructional services:				
Community services	32,249	2,249	3,409	(1,160)
Extracurricular activities	888,264	827,656	858,709	(31,053)
Capital outlay	4,128,686	4,264,957	3,887,741	377,216
Total expenditures	<u>43,687,072</u>	<u>42,418,501</u>	<u>42,177,112</u>	<u>241,389</u>
Excess expenditures over revenues	(6,818,425)	(3,232,300)	(3,456,615)	(224,315)
Other financing sources (uses):				
Transfers in	-	42,485	42,485	-
Advances in	950,000	554,588	554,588	-
Advances out	(75,000)	(75,000)	(41,044)	(33,956)
Other financing sources	148,139	45,481	45,481	-
Other financing uses	(98,009)	(55,970)	-	55,970
Total other financing sources (uses)	<u>925,130</u>	<u>511,584</u>	<u>601,510</u>	<u>22,014</u>
Net change in fund balance	(5,893,295)	(2,720,716)	(2,855,105)	\$ (202,301)
Fund balance, beginning of year	21,898,606	21,898,606	21,898,606	
Prior year encumbrances appropriated	148,639	148,639	148,639	
Fund balance, end of year	<u>\$16,153,950</u>	<u>\$ 19,326,529</u>	<u>\$ 19,192,140</u>	

See accompanying notes to required supplementary information.

TALAWANDA SCHOOL DISTRICT

Required Supplementary Information

Schedules of School District's Proportionate Share of the Net Pension Liability
and School District Pension Contributions
School Employees Retirement System of Ohio

Measurement Date Fiscal Year (1)	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1514%	\$ 9,005,413	\$ 3,340,874	269.55%	65.52%
2015	0.1514%	7,664,090	3,300,498	232.21%	71.70%
2016	0.1512%	8,628,925	3,602,633	239.52%	69.16%
2017	0.1478%	10,819,253	3,481,371	310.78%	62.98%
2018	0.1416%	8,460,703	3,430,079	246.66%	69.50%
2019	0.1398%	8,004,868	2,894,756	276.53%	71.36%
2020	0.1404%	8,398,983	3,571,570	235.16%	70.85%
2021	0.1440%	9,524,056	3,712,186	256.56%	68.55%
2022	0.1271%	4,691,261	3,837,029	122.26%	82.86%
2023	0.1365%	7,381,030	5,097,700	144.79%	75.82%

(1) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 457,449	\$ (457,449)	\$ -	\$ 3,300,498	13.86%
2015	474,827	(474,827)	-	3,602,633	13.18%
2016	487,392	(487,392)	-	3,481,371	14.00%
2017	480,211	(480,211)	-	3,430,079	14.00%
2018	390,792	(390,792)	-	2,894,756	13.50%
2019	482,162	(482,162)	-	3,571,570	13.50%
2020	519,706	(519,706)	-	3,712,186	14.00%
2021	537,184	(537,184)	-	3,837,029	14.00%
2022	713,678	(713,678)	-	5,097,700	14.00%
2023	751,236	(751,236)	-	5,365,971	14.00%

See Notes to Required Supplementary Information.

TALAWANDA SCHOOL DISTRICT

Required Supplementary Information
 Schedules of School District's Proportionate Share of the Net Pension Liability
 and School District Pension Contributions
 State Teachers Retirement System of Ohio

Measurement Date Fiscal Year (1)	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1383%	\$ 40,062,332	\$ 16,385,915	244.49%	69.30%
2015	0.1383%	33,632,095	15,214,115	221.06%	74.70%
2016	0.1365%	37,718,135	13,504,343	279.30%	72.09%
2017	0.1388%	46,446,525	14,325,314	324.23%	66.78%
2018	0.1402%	33,311,526	15,287,314	217.90%	75.30%
2019	0.1429%	31,425,475	16,691,029	188.28%	77.30%
2020	0.1453%	32,126,363	17,668,121	181.83%	77.40%
2021	0.1472%	35,607,725	17,896,264	198.97%	75.50%
2022	0.1471%	18,813,752	17,903,136	105.09%	87.80%
2023	0.1422%	31,616,454	18,489,729	170.99%	78.90%

(1) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,977,835	\$ (1,977,835)	\$ -	\$ 15,214,115	13.00%
2015	1,890,608	(1,890,608)	-	13,504,343	14.00%
2016	2,005,544	(2,005,544)	-	14,325,314	14.00%
2017	2,140,224	(2,140,224)	-	15,287,314	14.00%
2018	2,336,744	(2,336,744)	-	16,691,029	14.00%
2019	2,473,537	(2,473,537)	-	17,668,121	14.00%
2020	2,505,477	(2,505,477)	-	17,896,264	14.00%
2021	2,506,439	(2,506,439)	-	17,903,136	14.00%
2022	2,588,562	(2,588,562)	-	18,489,729	14.00%
2022	2,596,532	(2,596,532)	-	18,546,657	14.00%

See Notes to Required Supplementary Information.

TALAWANDA SCHOOL DISTRICT

Required Supplementary Information
 Schedules of School District's Proportionate Share of the Net OPEB Liability
 and School District OPEB Contributions
 School Employees Retirement System of Ohio

Measurement Date Fiscal Year (1)(2)	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.1491%	\$ 4,250,673	\$ 3,481,371	122.10%	11.49%
2018	0.1437%	3,855,224	3,430,079	112.39%	12.46%
2019	0.1419%	3,935,381	2,894,756	135.95%	13.57%
2020	0.1439%	3,619,771	3,571,570	101.35%	15.57%
2021	0.1499%	3,257,788	3,712,186	87.76%	18.17%
2022	0.1313%	2,484,303	3,837,029	64.75%	24.08%
2023	0.1399%	1,964,210	5,097,700	38.53%	30.04%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year (3)	Contractually Required Contributions (4)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 72,560	\$ (72,560)	\$ -	\$ 3,481,371	2.08%
2017	156,021	(156,021)	-	3,430,079	4.55%
2018	91,360	(91,360)	-	2,894,756	3.16%
2019	106,095	(106,095)	-	3,571,570	2.97%
2020	98,552	(98,552)	-	3,712,186	2.65%
2021	85,077	(85,077)	-	3,837,029	2.22%
2022	93,226	(93,226)	-	5,097,700	1.83%
2022	101,948	(101,948)	-	5,365,971	1.90%

(3) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(4) Includes Surcharge.

See Notes to Required Supplementary Information.

TALAWANDA SCHOOL DISTRICT

Required Supplementary Information
 Schedules of School District's Proportionate Share of the Net OPEB Liability/(Asset)
 and School District OPEB Contributions
 State Teachers Retirement System of Ohio

Measurement Date Fiscal Year (1)(2)	School District's Proportion of the Net OPEB Liability/(Asset)	School District's Proportionate Share of the Net OPEB Liability/(Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.1388%	\$ 7,420,820	\$ 14,325,314	51.80%	37.3%
2018	0.1402%	5,471,190	15,287,314	35.79%	47.1%
2019	0.1429%	(2,296,622)	16,691,029	(13.76%)	176.0%
2020	0.1453%	(2,406,079)	17,668,121	(13.62%)	174.7%
2021	0.1472%	(2,586,351)	17,896,264	(14.45%)	182.1%
2022	0.1471%	(3,102,423)	17,903,136	(17.33%)	174.7%
2023	0.1422%	(3,682,640)	18,489,729	(19.92%)	230.7%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Fiscal Year (3)	Contractually Required Contributions (4)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ -	\$ -	\$ -	\$ 14,325,314	0.00%
2017	-	-	-	15,287,314	0.00%
2018	-	-	-	16,691,029	0.00%
2019	-	-	-	17,668,121	0.00%
2020	-	-	-	17,896,264	0.00%
2021	-	-	-	17,903,136	0.00%
2022	-	-	-	18,489,729	0.00%
2023	-	-	-	18,546,657	0.00%

(3) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(4) STRS allocated the entire 14% employer contribution rate towards pension benefits.

See Notes to Required Supplementary Information.

TALAWANDA SCHOOL DISTRICT

Required Supplementary Information
Notes to Required Supplementary Information
School Employees Retirement System of Ohio

Notes to Pension Information

Changes of Benefit Terms

For measurement period 2017, the COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.50% with a floor of 0.0% beginning January 1, 2018. In addition, with the authority granted to the Board under Ohio House Bill 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

For measurement period 2018, with the authority granted to the Board under Ohio Senate Bill 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

Changes of Assumptions

For measurement period 2016, the assumed rate of inflation was reduced from 3.25% to 3.00%, the payroll growth assumption was reduced from 4.00% to 3.50%, the assumed real wage growth was reduced from 0.75% to 0.50%, the rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For measurement period 2021, the assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

Notes to OPEB Information

Changes of Benefit Terms

None noted.

Changes of Assumptions

For measurement period 2016, the assumed rate of inflation was reduced from 3.25% to 3.00%, the payroll growth assumption was reduced from 4.00% to 3.50%, the assumed real wage growth was reduced from 0.75% to 0.50%, the rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For measurement period 2021, the assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

For measurement period 2022, the discount rate was increased from 2.27% to 4.08% and the health care trend rates were updated.

TALAWANDA SCHOOL DISTRICT

Required Supplementary Information
Notes to Required Supplementary Information
State Teachers Retirement System of Ohio

Notes to Pension Information

Changes of Benefit Terms

For measurement period 2017, the COLA was reduced to zero.

Changes of Assumptions

For the measurement period 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The health and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

For measurement period 2021, the discount rate was adjusted to 7.00% from 7.45%.

For measurement period 2022, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

Notes to OPEB Information

Changes of Benefit Terms

For the measurement period 2017, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

For the measurement period 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For the measurement period 2019, there was no change to the claims cost process. Claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For measurement year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2021 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For measurement year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.10%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For measurement year 2022, salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age-based to service-based.

TALAWANDA SCHOOL DISTRICT
Required Supplementary Information
Notes to Required Supplementary Information
State Teachers Retirement System of Ohio
(continued)

Notes to OPEB Information (continued)

Changes of Assumptions

For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trends were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capita health care costs were updated.

For measurement year 2021, the discount rate was adjusted to 7.00% from 7.45%.

For measurement year 2022, healthcare trends were updated to reflect emerging claims and recoveries experience.

TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information

Year Ended June 30, 2023

Note A - Budgetary Process

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

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

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

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

TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information - continued
Year Ended June 30, 2023

Note A - Budgetary Process - continued

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

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

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

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

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

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

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

Advances in and advances out are operating transactions (budget basis) rather than as due to/due from other funds (GAAP basis).

TALAWANDA SCHOOL DISTRICT, OHIO

Notes to Required Supplementary Information - concluded
Year Ended June 30, 2023

Note A - Budgetary Process - concluded

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ (3,178,081)
Increase / (decrease):	
Due to inclusion of Uniform School Supply Fund	(41,841)
Due to inclusion of Public School Support Fund	(21,657)
Due to revenues	644,559
Due to expenditures	(153,198)
Due to other sources (uses)	559,025
Due to encumbrances	<u>(663,912)</u>
Net change in fund balance - Budget Basis	\$ <u><u>(2,855,105)</u></u>

**TALAWANDA SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program: Food Commodities	10.555	3L60	128,664
Cash Assistance:			
School Breakfast Program	10.553	3L70	182,630
National School Lunch Program	10.555	3L60	960,454
Total Child Nutrition Cluster			<u>1,271,748</u>
Pandemic EBT Administrative Costs	10.649		628
Total COVID P-EBT			<u>628</u>
Total U.S. Department of Agriculture			<u>1,272,376</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies - FY22	84.010	3M00	78,897
Title I Grants to Local Educational Agencies - FY23	84.010	3M00	293,603
Title I-D Neglected	84.010	3M00	32,387
Expanding Opportunities	84.010		6,135
Total Title I Grants			<u>411,022</u>
Passed Through Ohio Department of Education			
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA Part B) - 2022	84.027	3M20	110,552
Special Education-Grants to States (IDEA Part B) - 2023	84.027	3M20	509,095
COVID-19 ARP IDEA Part B	84.027X	H027X210111	43,130
Special Education-Preschool Grants (IDEA Preschool) - 2022	84.173	3C50	3,482
Special Education-Preschool Grants (IDEA Preschool) - 2023	84.173	3C50	16,389
COVID-19 American Rescure Plan (ARP) IDEA Preschool	84.173X	H173X210119	861
Total Special Education Cluster			<u>683,509</u>
Passed Through Butler County Educational Service Center			
Title III Immigrant	84.365	3Y70	2,192
Total Title III Immigrant			<u>2,192</u>
Passed Through Ohio Department of Education			
Title II-A Supporting Effective Instruction - 2022	84.367	3Y60	13,494
Title II-A Supporting Effective Instruction - 2022	84.367	3Y60	62,330
			<u>75,824</u>
Passed Through Ohio Department of Education			
Title IV-A Student Support and Academic Enrichment - 2022	84.424	3H10	11,257
			<u>11,257</u>
Passed Through Ohio Department of Education			
COVID-19 ARP Homeless	84.425W	S425D210035	11,114
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II	84.425D	S425D210035	600,640
COVID-19 ARP ESSER III	84.425U		721,533
			<u>1,333,287</u>
Total U.S. Department of Education			<u>2,517,091</u>
Total Federal Awards Expenditures			<u>\$3,789,467</u>

TALAWANDA CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2023

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Talawanda School District (the School District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Indirect Cost Rate

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

D. Child Nutrition Cluster

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

E. Food Donation Program

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

F. Matching Requirements

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

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Talawanda School District
Butler County
131 West Chestnut Street
Oxford, Ohio 45056

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talawanda School District, Butler County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio
March 19, 2024

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Talawanda School District
Butler County
131 West Chestnut Street
Oxford, Ohio 45056

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Talawanda School District's, Butler County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Talawanda School District's major federal programs for the year ended June 30, 2023. Talawanda School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Talawanda School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for Each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 19, 2024

This page intentionally left blank.

**TALAWANDA SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	84.425D, 84.425U, and 84.425W - Elementary and Secondary School Emergency Relief (ESSER) 84.027, 84.027X, 84.173, and 84.173X - Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



TALAWANDA SCHOOL DISTRICT

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/28/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov