



**TUSLAW LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**TUSLAW LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tuslaw Local School District  
Stark County  
1835 Manchester Avenue NW  
Massillon, Ohio 44647

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 14, 2008

***Tuslaw Local School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The discussion and analysis of Tuslaw Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key Financial Highlights for 2008 are as follows:

- In total, net assets decreased by \$477,396.
- Revenues for governmental activities totaled \$13,375,391 in 2008. Of this total, 90 percent consisted of General revenues while Program revenues accounted for the balance of 10 percent.
- Program expenses totaled \$13,852,787. Instructional expenses made up 52 percent of this total while support services accounted for 34 percent. Other expenses rounded out the remaining 14 percent.
- Outstanding general obligation debt was \$13,465,976 which will be mature during year 2031.

### **Using these Basic Financial Statements**

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

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

### **Reporting the School District as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

***Tuslaw Local School District***  
*Management's Discussion and Analysis*  
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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's Non-Fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

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

#### *Fund Financial Statements*

The School District's major funds are described on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, new facility capital projects fund and bond retirement fund.

#### *Governmental Funds*

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

### **The School District as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:



**Tuslaw Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008  
Unaudited

**Table 1**  
**Net Assets**

	<i>Governmental Activities</i>	
	2008	2007
<b>Assets</b>		
Current and Other Assets	\$8,032,502	\$8,664,467
Capital Assets, Net	15,909,505	16,468,481
<i>Total Assets</i>	23,942,007	25,132,948
<b>Liabilities</b>		
Current and Other Liabilities	5,895,591	6,027,722
Long-term Liabilities:		
Due Within One Year	509,267	749,701
Due in More than One Year	13,712,154	14,053,134
<i>Total Liabilities</i>	20,117,012	20,830,557
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	2,747,661	2,617,682
Restricted	1,626,504	1,784,505
Unrestricted	(549,170)	(99,796)
<i>Total Net Assets</i>	\$3,824,995	\$4,302,391

Total assets decreased by \$1,190,941. Cash and cash equivalents decreased by \$480,066. Revenue collections have not increased enough to offset increases in expenditures, state funding increased 2.5 percent while total expenditures increased approximately 1.6 percent. In order to cover expenditures, the District must resort to using its cash reserve to pay expenditures. Taxes receivables decreased \$63,890 due to the elimination of the personal property tax. Depreciable fixed assets decreased \$558,976 due to annual depreciation expense. Since the district recognizes we are deficit spending, cuts have been made in the capital outlay expenditure line item as well.

Total liabilities decreased by \$713,545. The majority of the decrease can be attributed to a decrease in long-term liabilities. During the fiscal year the district retired \$688,954 in long term debt.

By comparing assets and liabilities, one can see the overall position of the School District is unstable. Due to the decreased cash balance, the School District is cautiously approaching the future. In the past, the School District's expense per pupil has been one of the lowest in the State. The School District has always spent funds cautiously and if the funding issue is not resolved by the State and the School District has to continue to implement unfunded State and Federal mandates, the School District will have to generate additional property tax dollars to cover the costs.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$12,074,719 or 90 percent of the total revenue. The most significant portion of the general revenue is local property tax and state support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,300,672 or only 10 percent of total revenue.

Table 2 shows a comparative analysis of government-wide changes in net assets data for fiscal year 2008 compared to fiscal year 2007.

**Tuslaw Local School District**  
*Management's Discussion and Analysis*  
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**Table 2**  
**Changes in Net Assets**

	<i>Governmental Activities 2008</i>	<i>Governmental Activities 2007</i>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$809,162	\$736,205
Operating Grants and Contributions	491,510	659,504
<b>Total Program Revenues</b>	<b>1,300,672</b>	<b>1,395,709</b>
General Revenues:		
Property Taxes	4,928,811	4,696,863
Grants and Entitlements	6,983,015	6,548,904
Investments	162,893	229,060
Miscellaneous	0	51,627
<b>Total General Revenues</b>	<b>12,074,719</b>	<b>11,526,454</b>
<b>Total Revenues</b>	<b>13,375,391</b>	<b>12,922,163</b>
<b>Program Expenses</b>		
Instruction		
Regular	5,379,706	5,519,400
Special	1,657,487	1,639,201
Vocational	190,251	170,911
Other	291	8,343
Support Services:		
Pupil	631,998	563,223
Instructional Staff	386,015	367,226
Board of Education	16,778	11,757
Administration	1,100,097	954,813
Fiscal	350,996	301,101
Business	52,399	31,811
Operation and Maintenance	1,187,632	1,402,986
Pupil Transportation	946,249	869,453
Central	45,957	37,492
Operating of Non-Instructional Services	576,614	473,635
Extracurricular Activities	676,177	615,308
Interest and Fiscal Charges	654,140	669,783
<b>Total Program Expenses</b>	<b>13,852,787</b>	<b>13,636,443</b>
<b>Decrease in Net Assets</b>	<b>(477,396)</b>	<b>(714,280)</b>
<b>Net Assets Beginning of Year</b>	<b>4,302,391</b>	<b>5,016,671</b>
<b>Net Assets End of Year</b>	<b>\$3,824,995</b>	<b>\$4,302,391</b>

***Tuslaw Local School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District has a limited levy for a total of 7.5 mills, which currently generates an estimated \$707,000 in revenues and was renewed fiscal year 2008. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 52 percent of the School District's expense is used to fund instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 34 percent. The remaining amount of program expenses, 14 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the School District.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

***Table 3***  
***Governmental Activities***

	<i>Total Cost of Services 2008</i>	<i>Net Cost of Services 2008</i>	<i>Total Cost of Services 2007</i>	<i>Net Cost of Services 2007</i>
Instruction				
Regular	\$5,379,706	\$5,334,853	\$5,519,400	\$5,483,099
Special	1,657,487	1,160,687	1,639,201	1,160,363
Vocational	190,251	190,251	170,911	170,911
Other	291	291	8,343	8,343
Support Services:				
Pupil	631,998	596,985	563,223	521,083
Instructional Staff	386,015	346,586	367,226	351,186
Board of Education	16,778	16,778	11,757	11,757
Administration	1,100,097	1,080,735	954,813	942,322
Fiscal	350,996	350,996	301,101	300,965
Business	52,399	52,399	31,811	31,811
Operation and Maintenance	1,187,632	1,143,448	1,402,986	1,402,986
Pupil Transportation	946,249	946,249	869,453	869,453
Central	45,957	45,957	37,492	37,492
Operation of Non-Instructional Services	576,614	231,466	473,635	(27,987)
Extracurricular Activities	676,177	400,294	615,308	307,167
Interest and Fiscal Charges	654,140	654,140	669,783	669,783
<b><i>Total</i></b>	<b><u>\$13,852,787</u></b>	<b><u>\$12,552,115</u></b>	<b><u>\$13,636,443</u></b>	<b><u>\$12,240,734</u></b>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 36 percent of total costs are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 50 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 9 percent of all governmental expenses.

***Tuslaw Local School District***  
*Management's Discussion and Analysis*  
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**The School District's Funds**

Information regarding the School District's major funds can be found on pages 22 and 23 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling \$13,401,807 and expenditures totaling \$13,882,692. The General Fund balance decreased \$398,157 due to reduced personal property tax collections. The bond retirement fund balance decreased by \$138,471 due to the retirement of a \$255,000 long-term notes payable. The new facility capital projects fund balance increased by \$42,070 due to investment earnings.

**General Fund Budgeting Highlights**

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

The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original and final budget basis revenue estimate totaled \$10,978,080; no modifications were made to the revenues or other financing sources during the fiscal year. The original and final budget basis expenditures totaled \$11,681,041.

The School District's general fund unencumbered ending cash balance totaled \$953,875, which was more than the original budgeted amount. Actual expenditures were less than the final budget.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2008, the School District had \$15,909,505 invested in land, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2008 values compared to 2007.

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

	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
Land	\$463,538	\$463,538
Buildings and Improvements	18,245,234	18,220,334
Furniture and Fixtures	1,495,094	1,486,229
Vehicles	1,269,592	1,192,437
Accumulated Deprecation	(5,563,953)	(4,894,057)
<i>Totals</i>	<b>\$15,909,505</b>	<b>\$16,468,481</b>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

**Tuslaw Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

*Debt*

Table 5 below summarizes the School District's outstanding debt.

**Table 5**  
**Outstanding Debt, at Year End**

	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
2002 OSFC General Obligation Bonds:		
Serial and Term Bonds	\$12,830,010	\$13,250,010
Capital Appreciation Bonds	284,990	284,990
Accretion on Capital Appreciation Bonds	350,976	266,088
Notes Payable	0	255,000
<i>Totals</i>	\$13,465,976	\$14,056,088

During fiscal year 2003, the School District issued \$15,000,000 in bonds and \$255,000 in a long-term note to build a new high school and renovate the middle school. The bonds will be repaid during a twenty-eight year period and the note was repaid during fiscal year 2008.

The School District overall debt margin is \$2,849,761 and an unvoted debt margin of \$181,286. For more information on debt refer to Note 14 of the basic financial statements.

**School District Outlook**

Tuslaw Local Schools has a strong financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong. As mentioned earlier, the Tuslaw voters renewed a five year 7.5 mill operating levy November, 2007, which will help fund the general operations of the School District through the first half of fiscal year 2013. The School District is expecting to have a positive declining general fund balance through the end of the 2012 fiscal year. Additional revenue and/or reductions in expenditures will be necessary to maintain a positive general fund balance after the end of the 2012 fiscal year. The School District has communicated to the community they rely upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support.

***Tuslaw Local School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. In December, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding system. The decision reaffirmed earlier decisions that Ohio's current school funding system is unconstitutional. However, the Supreme Court also relinquished jurisdiction over the case and directed the "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

Tuslaw Local School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The State has stated that the per pupil revenue for a minimum education should be increased at an inflationary rate of 2.8 percent per year for future years. The biennial budget that encompasses fiscal years 2008 and 2009 will increase the cost per pupil by three percent. The effect of a 2009 property update will have a negative affect on the State's share of per pupil funding. With 37 percent of the revenue for the School District coming from property taxes, one can see the significant impact this constraint would have on the School District and ultimately, the residential taxpayers.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

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

This financial report is designed to provide our citizens, taxpayers 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 any questions about this report or need additional financial information contact Sheryl Shaw Stewart, Treasurer, at Tuslaw Local School District, 1835 Manchester Ave. NW, Massillon, Ohio 44647, or email at [sstewart@tuslaw.sparcc.org](mailto:sstewart@tuslaw.sparcc.org).

# Tuslaw Local School District

Statement of Net Assets  
June 30, 2008

	<u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,107,193
Inventory Held for Resale	7,288
Accounts Receivable	1,005
Intergovernmental Receivable	13,804
Prepaid Items	7,512
Taxes Receivable	4,895,700
Non-Depreciable Capital Assets	463,538
Depreciable Capital Assets, net	15,445,967
<b>Total Assets</b>	<u>23,942,007</u>
<b>Liabilities</b>	
Accounts Payable	17,097
Accrued Wages and Benefits	972,404
Intergovernmental Payable	287,426
Accrued Interest Payable	40,680
Matured Compensated Absences Payable	132,624
Deferred Revenue	4,445,360
Long-Term Liabilities:	
Due Within One Year	509,267
Due in More Than One Year	13,712,154
<b>Total Liabilities</b>	<u>20,117,012</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,747,661
Restricted for Debt Service	282,803
Restricted for Capital Outlay	1,120,930
Restricted for Other Purposes	222,771
Unrestricted	(549,170)
<b>Total Net Assets</b>	<u><u>\$3,824,995</u></u>

See Accompanying Notes to the Basic Financial Statements

**Tuslaw Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	<u>Program Revenues</u>			<i>Net (Expenses) Revenue and Changes in Net Assets</i>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$5,379,706	\$23,711	\$21,142	(\$5,334,853)
Special	1,657,487	111,518	385,282	(1,160,687)
Vocational	190,251	0	0	(190,251)
Other	291	0	0	(291)
Support Services:				
Pupils	631,998	13,728	21,285	(596,985)
Instructional Staff	386,015	0	39,429	(346,586)
Board of Education	16,778	0	0	(16,778)
Administration	1,100,097	4,992	14,370	(1,080,735)
Fiscal	350,996	0	0	(350,996)
Business	52,399	0	0	(52,399)
Operation and Maintenance of Plant	1,187,632	44,184	0	(1,143,448)
Pupil Transportation	946,249	0	0	(946,249)
Central	45,957	0	0	(45,957)
Operation of Non-Instructional Services	576,614	345,148	0	(231,466)
Extracurricular Activities	676,177	265,881	10,002	(400,294)
Interest and Fiscal Charges	654,140	0	0	(654,140)
<b>Totals</b>	<u>\$13,852,787</u>	<u>\$809,162</u>	<u>\$491,510</u>	(\$12,552,115)

**General Revenues**

Property Taxes Levied for:	
General Purposes	3,932,705
Debt Service	996,106
Grants and Entitlements not Restricted to Specific Programs	6,983,015
Investment Earnings	162,893
<b>Total General Revenues</b>	<u>12,074,719</u>
<b>Change in Net Assets</b>	(477,396)
<b>Net Assets Beginning of Year</b>	<u>4,302,391</u>
<b>Net Assets End of Year</b>	<u>\$3,824,995</u>

See Accompanying Notes to the Basic Financial Statements



**Tuslaw Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2008*

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>New Facility Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,097,696	\$570,539	\$1,120,930	\$318,028	\$3,107,193
Inventory Held for Resale	0	0	0	7,288	7,288
Interfund Receivable	9,643	0	0	0	9,643
Accounts Receivable	1,005	0	0	0	1,005
Intergovernmental Receivable	4,784	0	0	9,020	13,804
Prepaid Items	7,512	0	0	0	7,512
Taxes Receivable	3,875,611	1,020,089	0	0	4,895,700
<b>Total Assets</b>	<b>\$4,996,251</b>	<b>\$1,590,628</b>	<b>\$1,120,930</b>	<b>\$334,336</b>	<b>\$8,042,145</b>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	\$14,782	\$0	\$0	\$2,315	\$17,097
Accrued Wages and Benefits	926,632	0	0	45,772	972,404
Intergovernmental Payable	267,352	0	0	20,074	287,426
Interfund Payable	0	0	0	9,643	9,643
Matured Compensated Absences Payable	131,668	0	0	956	132,624
Deferred Revenue	3,658,391	954,929	0	0	4,613,320
<b>Total Liabilities</b>	<b>4,998,825</b>	<b>954,929</b>	<b>0</b>	<b>78,760</b>	<b>6,032,514</b>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	130,320	0	0	23,523	153,843
Reserved for Property Taxes	217,220	65,160	0	0	282,380
Reserved for Prepays	7,512	0	0	0	7,512
Unreserved, Undesignated, Reported in:					
General Fund	(357,626)	0	0	0	(357,626)
Special Revenue Funds	0	0	0	232,053	232,053
Debt Service Fund	0	570,539	0	0	570,539
Capital Projects Funds	0	0	1,120,930	0	1,120,930
<b>Total Fund Balances</b>	<b>(2,574)</b>	<b>635,699</b>	<b>1,120,930</b>	<b>255,576</b>	<b>2,009,631</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,996,251</b>	<b>\$1,590,628</b>	<b>\$1,120,930</b>	<b>\$334,336</b>	<b>\$8,042,145</b>

See Accompanying Notes to the Basic Financial Statements

**Tuslaw Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

***Total Governmental Fund Balances*** **\$2,009,631**

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 15,909,505

Other long-term assets are not available to pay for current-  
 period expenditures and therefore are deferred in the funds.

	167,960	
Delinquent Property Taxes	167,960	
<i>Total</i>		167,960

In the Statement of Activities, interest is accrued on outstanding  
 bonds and notes, whereas in governmental funds, an interest  
 expenditure is reported when due. (40,680)

Long-term liabilities, including bonds and compensated absences  
 payable, are not due and payable in the current period  
 and therefore, are not reported in the funds:

	(13,115,000)	
General Obligation Bonds	(13,115,000)	
Capital Appreciation Accretion	(350,976)	
Compensated Absences	(708,601)	
Capital Leases	(46,844)	
<i>Total</i>	(14,221,421)	(14,221,421)

*Net Assets of Governmental Activities* \$3,824,995

See Accompanying Notes to the Basic Financial Statements

**Tuslaw Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>New Facility Capital Projects Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Property Taxes	\$3,921,866	\$992,585	\$0	\$0	\$4,914,451
Intergovernmental	6,180,297	134,493	0	624,371	6,939,161
Interest	112,333	0	43,345	7,215	162,893
Tuition and Fees	675,907	0	0	0	675,907
Rent	10,825	0	0	0	10,825
Extracurricular Activities	373	0	0	315,670	316,043
Gifts and Donations	0	0	0	11,751	11,751
Customer Sales and Services	0	0	0	337,660	337,660
Miscellaneous	32,986	0	0	130	33,116
<b>Total Revenues</b>	<b>10,934,587</b>	<b>1,127,078</b>	<b>43,345</b>	<b>1,296,797</b>	<b>13,401,807</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	5,137,083	0	0	44,012	5,181,095
Special	1,198,390	0	0	395,512	1,593,902
Vocational	177,199	0	0	0	177,199
Other	291	0	0	0	291
Support Services:					
Pupils	566,475	0	0	33,670	600,145
Instructional Staff	316,186	0	0	25,756	341,942
Board of Education	16,778	0	0	0	16,778
Administration	1,005,873	0	0	16,706	1,022,579
Fiscal	302,732	17,072	0	0	319,804
Business	52,399	0	0	0	52,399
Operation and Maintenance of Plant	1,147,244	0	1,275	9,647	1,158,166
Pupil Transportation	949,321	0	0	0	949,321
Central	45,957	0	0	0	45,957
Operation of Non-Instructional Services	27,000	0	0	486,794	513,794
Extracurricular Activities	372,621	0	0	271,027	643,648
Debt Service:					
Principal	13,954	675,000	0	0	688,954
Interest and Fiscal Charges	3,241	573,477	0	0	576,718
<b>Total Expenditures</b>	<b>11,332,744</b>	<b>1,265,549</b>	<b>1,275</b>	<b>1,283,124</b>	<b>13,882,692</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(398,157)</b>	<b>(138,471)</b>	<b>42,070</b>	<b>13,673</b>	<b>(480,885)</b>
<b>Net Change in Fund Balances</b>	<b>(398,157)</b>	<b>(138,471)</b>	<b>42,070</b>	<b>13,673</b>	<b>(480,885)</b>
<b>Fund Balances Beginning of Year</b>	<b>395,583</b>	<b>774,170</b>	<b>1,078,860</b>	<b>241,903</b>	<b>2,490,516</b>
<b>Fund Balances (Deficit) End of Year</b>	<b>(\$2,574)</b>	<b>\$635,699</b>	<b>\$1,120,930</b>	<b>\$255,576</b>	<b>\$2,009,631</b>

See Accompanying Notes to the Basic Financial Statements

**Tuslaw Local School District**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

**Net Change in Fund Balances - Total Governmental Funds** (\$480,885)

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

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

Capital Assets Additions	114,220	
Current Year Depreciation	(673,196)	
<i>Total</i>		(558,976)

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

Delinquent Property Taxes	(26,416)	
<i>Total</i>		(26,416)

Repayment of bond, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal Retirement	420,000	
Notes Payable	255,000	
Capital Lease Retirement	13,954	
<i>Total</i>		688,954

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Bond Accretion	(84,888)	
Accrued Interest	7,467	
<i>Total</i>		(77,421)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences		(22,652)
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*Changes in Net Assets of Governmental Activities* (477,396)

See Accompanying Notes to the Basic Financial Statements

**Tuslaw Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2008*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property Taxes	\$3,851,108	\$3,851,108	\$3,872,866	\$21,758
Intergovernmental	6,211,472	6,211,472	6,175,984	(35,488)
Interest	170,000	170,000	112,333	(57,667)
Tuition and Fees	695,000	695,000	686,750	(8,250)
Rent	20,000	20,000	10,825	(9,175)
Extracurricular Activities	0	0	373	373
Miscellaneous	30,500	30,500	38,525	8,025
<b>Total Revenues</b>	<b>10,978,080</b>	<b>10,978,080</b>	<b>10,897,656</b>	<b>(80,424)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,237,843	5,237,843	5,162,955	74,888
Special	1,275,674	1,275,674	1,275,674	0
Vocational	180,396	180,396	177,405	2,991
Other	9,539	9,539	0	9,539
Support Services:				
Pupils	573,663	573,663	573,663	0
Instructional Staff	314,898	314,898	314,898	0
Board of Education	17,996	17,996	17,996	0
Administration	996,684	996,684	980,679	16,005
Fiscal	304,012	304,012	302,730	1,282
Business	56,823	56,823	56,823	0
Operation and Maintenance of Plant	1,207,768	1,207,768	1,165,069	42,699
Pupil Transportation	960,764	960,764	960,764	0
Central	45,978	45,978	45,978	0
Extracurricular Activities	399,619	399,619	399,619	0
Capital Outlay	38,020	38,020	0	38,020
Debt Service:				
Principal	21,228	21,228	21,228	0
Interest and Fiscal Charges	4,564	4,564	4,564	0
<b>Total Expenditures</b>	<b>11,645,469</b>	<b>11,645,469</b>	<b>11,460,045</b>	<b>185,424</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(667,389)</b>	<b>(667,389)</b>	<b>(562,389)</b>	<b>105,000</b>
<b>Other Financing Sources and Uses</b>				
Advances In	0	0	11,000	11,000
Transfers Out	(10,000)	(10,000)	0	10,000
Advances Out	(25,572)	(25,572)	0	25,572
<b>Total Other Financing Sources and Uses</b>	<b>(35,572)</b>	<b>(35,572)</b>	<b>11,000</b>	<b>46,572</b>
<b>Net Change in Fund Balance</b>	<b>(702,961)</b>	<b>(702,961)</b>	<b>(551,389)</b>	<b>151,572</b>
<b>Fund Balance Beginning of Year</b>	<b>1,324,036</b>	<b>1,324,036</b>	<b>1,324,036</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>181,228</b>	<b>181,228</b>	<b>181,228</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$802,303</b>	<b>\$802,303</b>	<b>\$953,875</b>	<b>\$151,572</b>

See Accompanying Notes to the Basic Financial Statements

**Tuslaw Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

	<u><i>Private Purpose Trust</i></u>	
	<u><i>Special Trust</i></u>	<u><i>Agency</i></u>
<b><i>Assets</i></b>		
Equity in Pooled Cash and Cash Equivalents	\$23,800	\$68,559
<i>Total Assets</i>	<u>23,800</u>	<u>68,559</u>
<b><i>Liabilities</i></b>		
Current Liabilities:		
Undistributed Monies	0	25,243
Due to Students	8,750	43,316
<i>Total Liabilities</i>	<u>8,750</u>	<u>\$68,559</u>
<b><i>Net Assets</i></b>		
Held in Trust for Scholarships	15,050	
<i>Total Net Assets</i>	<u>\$15,050</u>	

See Accompanying Notes to the Basic Financial Statements

**Tuslaw Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2008*

	<i>Special Trust</i>
<b><i>Additions</i></b>	
Gifts and Contributions	\$10,261
Interest	647
<i>Total Additions</i>	10,908
<b><i>Deductions</i></b>	
Scholarships Awarded	10,000
<i>Increase in Fiduciary Net Assets</i>	908
<i>Net Assets Beginning of Year</i>	14,142
<i>Net Assets End of Year</i>	\$15,050

See Accompanying Notes to the Basic Financial Statements

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***Tuslaw Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 1 - Description of the School District and Reporting Entity**

Tuslaw Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state Statute and/or Federal guidelines.

The School District serves an area of approximately forty four square miles. It is located in Stark and Wayne Counties and includes portions of Lawrence, Tuscarawas, and Perry Townships, and the City of Massillon. It is staffed by sixty two classified employees, eighty one certified teaching personnel, and nine administrative employees who provide services to 1,534 students and other community members. The School District currently operates three instructional buildings.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. 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. There are no component units of the Tuslaw Local School District.

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark-Portage Area Computer Consortium, Stark County Joint Vocational School, Stark County Schools Council of Government Workers’ Compensation Group Rating Program, the Stark County Schools Council of Government Health Benefits Program and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of Tuslaw Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District’s accounting policies.

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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 various funds of the School District are grouped into the categories governmental and fiduciary.

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

***General Fund*** The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

***Bond Retirement Fund*** The bond retirement fund is used to account for the accumulation of property tax revenues for the payment of general obligation bonds issued for the construction of a new high school and renovations to the middle school.

***New Facility Capital Project Fund*** The new facility capital project fund accounts for bond proceeds and interest revenue to be used for the construction of a new high school and renovations to the middle school.

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has two private purpose trust funds which are used to account for college scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

**C. Measurement Focus**

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting** (continued)

**Revenues - Exchange and Non-exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "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. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). 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 nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenditures/Expenses** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense/expenditure with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**E. 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control set by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final certificate of estimated resources issued during fiscal year 2008.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2008.

**F. Cash and Cash Equivalents**

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

During fiscal year 2008, investments were limited to repurchase agreements and STAROhio. Repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Cash and Cash Equivalents** (continued)

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, food service fund, capital improvements fund and private purpose trust fund during fiscal year 2008 amounted to \$112,333, \$7,215, \$43,345 and \$647, respectively. The general fund interest includes \$43,365 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food, and supplies held for consumption and are expensed when used.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. There were no restricted assets at June 30, 2008.

**J. Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District capitalization threshold is \$2,000. 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.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**J. Capital Assets** (continued)

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture and Fixtures	7 - 20 years
Vehicles	8 - 15 years

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

**L. 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.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**M. 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, claims and judgments and 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 normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School district had no restricted net assets imposed by legislation at June 30, 2008.

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

**O. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for property taxes, encumbrances and prepaids.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**P. Interfund Activity**

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

**Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.



**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 3 - Budgetary Basis of Accounting**

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the General Fund.

	<b><i>General</i></b>
<i>GAAP Basis</i>	<u>(\$398,157)</u>
Net Adjustment for Revenue Accruals	(36,931)
Advances In	11,000
Net Adjustment for Expenditure Accruals	23,172
Adjustment for Encumbrances	<u>(150,473)</u>
<i>Budget Basis</i>	<u>(\$551,389)</u>

**Note 4 - 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 the Board of Education 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 which 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 passbook accounts.

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

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 4 - Deposits and Investments** (continued)

Interim monies may be invested in the following securities:

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

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$163,375. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2008, \$63,375 of the School District's bank balance was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 4 - Deposits and Investments** (continued)

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve bank in the name of the School District.

**Investments** As of June 30, 2008, the School District had the following investments and maturities:

<i>Investment Type</i>	<i>Fair Value</i>	<i>6 months Or Less</i>
STAR Ohio	<u>\$3,091,850</u>	<u>\$3,091,850</u>
<i>Totals</i>	<u>\$3,091,850</u>	<u>\$3,091,850</u>

The weighted average maturity of the investments is daily.

Interest rate risk arises because purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The School District's investments has been assigned ratings, per Standards and Poors, of AAAM for STAR Ohio and AAAM money market rating. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no policy dealing with investment custodial risk beyond the requirement in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The following table includes the percentage of total of each investment type held by the School District at June 30, 2008:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Percent Of Total</i>
STAROhio	<u>\$3,091,850</u>	<u>100.00%</u>
<i>Totals</i>	<u>\$3,091,850</u>	<u>100.00%</u>

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 5 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the values as of December 31, 2007. For 2007, tangible personal property is assessed at 12.5% for property including inventory. The percentage will be reduced to 6.25% for 2008 and to zero for 2009. Payments for multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill 66 was signed into law on June 30, 2005. The bill phases out the tangible personal property tax on general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2007-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Stark and Wayne Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$282,380 and is recognized as revenue. \$217,220 was available to the general fund and \$65,160 was available to the bond retirement debt service fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 5 - Property Taxes** (continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<i>2008 First</i>		<i>2007 Second</i>	
	<i>Half Collections</i>		<i>Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$173,274,100	94.22%	\$170,527,140	92.76%
Public Utility Personal	8,291,190	4.52	9,263,720	5.04
Tangible Personal Property	2,330,992	1.26	4,044,876	2.20
	<u>\$183,896,282</u>	<u>100.00%</u>	<u>\$183,835,736</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$60.70		\$60.70	

**Note 6 - Receivables**

Receivables at June 30, 2008, consisted of property taxes, accounts (rent, tuition and fees), intergovernmental grants, and interfunds. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
E-Rate	\$4,784
Miscellaneous State	1,800
Title I	577
Gifted	3,116
Drug Free	3,527
<i>Total Intergovernmental Receivables</i>	<u>\$13,804</u>

**Note 7 - Interfund Balances**

As of June 30, 2008, the fund financial statements consist of the following interfund balances:

<i>Governmental Activities</i>	<i>Receivable</i>	<i>Payable</i>
General Fund	\$9,643	\$0
<i>Special Revenue Funds:</i>		
Title VI	0	3,116
Drug Free	0	3,527
OneNet	0	3,000
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>9,643</u>
<i>Total Interfund Balances</i>	<u>\$9,643</u>	<u>\$9,643</u>

The advances from the general fund were made to the special revenue funds to support the programs until the federal grant monies have been received.

**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<i>Balance at</i> <i>7/1/07</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i> <i>6/30/08</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$463,538	\$0	\$0	\$463,538
<i>Total Capital Assets, not being depreciated</i>	463,538	0	0	463,538
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	18,220,334	24,900	0	18,245,234
Furniture and Fixtures	1,486,229	12,165	(3,300)	1,495,094
Vehicles	1,192,437	77,155	0	1,269,592
<i>Total Capital Assets, being depreciated</i>	20,899,000	114,220	(3,300)	21,009,920
<i>Less Accumulated Depreciation:</i>				
Buildings and Land Improvements	(3,618,852)	(543,283)	0	(4,162,135)
Furniture and Fixtures	(512,438)	(87,518)	3,080	(596,876)
Vehicles	(762,767)	(42,175)	0	(804,942)
<i>Total Accumulated Depreciation</i>	(4,894,057)	(672,976)	3,080	(5,563,953)
<i>Governmental Activities Capital Assets, Net</i>	\$16,468,481	(\$558,756)	(\$220)	\$15,909,505

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$208,630
Special	66,083
Vocational	10,972
<i>Support Services:</i>	
Pupil	29,005
Instructional Staff	40,596
Administration	67,351
Fiscal	29,930
Operation and Maintenance of Plant	51,012
Pupil Transportation	75,920
Operation of Non-Instructional Services	30,794
Extracurricular Activities	62,683
<i>Total Depreciation Expense</i>	\$672,976

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the School District contracted with Leonard Insurance Services for both Property and fleet coverage and Hylant Administrative Services, LLC for liability coverage. There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the past three years. Coverage type, limits and deductibles are as follows:

<i>Type of Coverage</i>	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$34,100,198	\$5,000
Inland Marine Coverage	181,163	500
Automobile Liability	1,000,000	500
Uninsured Motorists	50,000	0
Medical Payments	5,000	0
Commercial Crime Insurance	50,000	1,000
General Liability:		
Per Occurrence	4,000,000	0
Aggregate	6,000,000	0
Umbrella	4,000,000	0

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

The School District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,072.72 for family coverage and \$440.56 for single coverage per employee per month.

**Note 10 - Employee Benefits**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 345 days of sick leave that may be accumulated for certified employees and classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 73 days.

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 10 - Employee Benefits** (continued)

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

**Note 11 - Defined Benefit Pension Plans**

**A. School Employee Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$159,890, \$165,481, and \$164,268 respectively; 36.86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strs.org](http://www.strs.org).

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



***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 11 - Defined Benefit Pension Plans**(continued)

**B. State Teachers Retirement System** (continued)

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$625,664, \$616,118, and \$605,189, respectively; 84.05 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 12 – Postemployment Benefits**

**A. School Employee Retirement System**

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$32,564.

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 12 – Postemployment Benefits**(continued)

**A. School Employee Retirement System** (continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$68,059, \$51,442, and \$53,305 respectively; 36.86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$10,746, \$10,536, and \$12,122 respectively; 36.86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$48,128, \$47,437, and \$46,553 respectively; 84.05 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Note 13 - Capital Leases**

The School District has entered into a capitalized lease replacement windows. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$191,758. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2008 totaled \$13,954 in the general fund.

**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 13 - Capital Leases** (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

<i>Fiscal Year Ending June 30,</i>	<i>Amount</i>
2009	17,195
2010	17,195
2011	17,193
<i>Total</i>	51,583
Less: Amount Representing Interest	(4,739)
<i>Present Value of Net Minimum</i>	\$46,844

**Note 14 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	<i>Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i>	<i>Amounts Due</i>
	<i>6/30/07</i>	<i>6/30/08</i>	<i>6/30/08</i>	<i>6/30/08</i>	<i>In One Year</i>
<i>Compensated Absences</i>	\$685,949	\$87,166	(\$64,514)	\$708,601	\$64,514
<i>Capital Leases:</i>					
Citibank - Window Replacement	60,798	0	(13,954)	46,844	14,753
<i>Total Capital Leases</i>	60,798	0	(13,954)	46,844	14,753
<i>Long Term Note 3.50%</i>	255,000	0	(255,000)	0	0
<i>2002 OSFC High School Bonds:</i>					
\$14,715,000 2.00-5.00% Serial/Term Bonds	13,250,010	0	(420,000)	12,830,010	430,000
\$284,990 14.852% Capital Appreciation Bonds	284,990	0	0	284,990	0
Accretion on Capital Appreciation Bonds	266,088	84,888	0	350,976	0
<i>Total General Obligation Bonds</i>	13,801,088	84,888	(420,000)	13,465,976	430,000
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$14,802,835	\$172,054	(\$753,468)	\$14,221,421	\$509,267

Compensated absences will be paid from the general fund and various federal grant funds. The capital leases will be paid from the general fund.

On October 24, 2002, the School District issued \$15,000,000 in general obligation school facilities construction and improvement bonds to pay off the bond anticipation notes. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030. The bond issue consists of serial, term and capital appreciation bonds. Accretion in the amount of \$350,976 was added and represents the annual accretion of discounted interest for the capital appreciation bonds. At maturity, the final amount of the capital appreciation bonds will be \$1,030,000. The principal and interest requirements will be recorded in the debt service fund.

On January 22, 2003 the School District sold a \$255,000 long-term note. The note was issued for school facilities construction and improvements. The note was issued for five years and reached final maturity at December 1, 2007. The interest rate on the note is 3.50 percent. This note was retired from the debt retirement fund with tax collections during fiscal year 2008.

**Tuslaw Local School District**  
*Notes to the Basic Financial Statements (continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 14 - Long-Term Obligations** (continued)

The School District's overall debt margin is \$2,849,761 and the unvoted debt margin is \$181,286.

The following is a summary of the School District's future annual principal and interest requirements to retire the general obligation bonds and note:

<i>Fiscal Year</i>	<b>2002 OSFC Bonds</b>			
	<i>Serial and Term Bonds</i>		<i>Capital Appreciation Bonds</i>	
	<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>
<i>2009</i>	\$430,000	\$557,851	\$0	\$0
<i>2010</i>	445,000	545,264	0	0
<i>2011</i>	0	538,589	142,515	312,485
<i>2012</i>	0	538,589	54,282	145,718
<i>2013</i>	0	538,589	88,193	286,807
<i>2013-2017</i>	2,455,000	2,470,765	0	0
<i>2018-2022</i>	2,965,000	1,891,820	0	0
<i>2023-2027</i>	3,800,000	1,100,344	0	0
<i>2028-2031</i>	2,735,010	193,672	0	0
<i>Total</i>	\$12,830,010	\$8,375,483	\$284,990	\$745,010

**Note 15 - Jointly Governed Organizations**

**A. Stark-Portage Area Computer Consortium**

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts. During fiscal year 2008, the District paid \$53,110 to SPARCC for services rendered.

**B. Stark County Area Joint Vocational School**

The Stark County Area Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Area Joint Vocational School possesses its own budgeting and taxing authority. The Stark County Area Joint Vocational School provides vocational instruction to students of participating districts. To obtain financial information write to the Stark County Area Joint Vocational School, 6805 Richville Drive, S.W., Massillon, Ohio 44646.

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 16 - Public Entity Risk Pools**

**A. Stark County Schools Council of Government**

The Stark County Schools Council of Government (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool and a Workers Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating members pay enrollment fees to the GRP's to cover the costs of administering the program.

**B. Ohio School Plan**

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuetz, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. Approximately 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to The Ohio School Plan, Harcum-Hyre Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

**Note 17 - Contingencies**

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**Note 18 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purpose in future years.

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

	<i>Textbooks</i>	<i>Capital Acquisition</i>
<i>Set-Aside Cash Balance as of June 30, 2007</i>	(\$84,461)	\$0
Current Year Set-Aside Requirement	214,922	214,922
Qualifying Disbursements	(271,590)	(309,590)
<i>Total</i>	(\$141,129)	(\$84,933)
<i>Set-Aside Cash Balance as of June 30, 2008</i>	(\$141,129)	\$0

***Tuslaw Local School District***  
*Notes to the Basic Financial Statements (continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 18 - Set-Asides** (continued)

Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

**Note 19 – Fund Deficits**

The following funds had deficit fund balances at June 30, 2008:

<i>General Fund</i>	\$2,574
<i>Special Revenue Funds:</i>	
Onenet	3,000
Title I	12,970

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**TUSLAW LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<i>Federal Grantor/Pass Through Grantor Program Title</i>	<i>Federal CFDA Number</i>	<i>Receipts</i>	<i>Non-Cash Receipts</i>	<i>Expenditures</i>	<i>Non-Cash Expenditures</i>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed through the Ohio Department of Education:</i>					
National School Lunch Program	10.555	\$149,210	\$55,975	\$149,210	\$55,975
<b>Total U.S. Department of Agriculture</b>		<b>149,210</b>	<b>55,975</b>	<b>149,210</b>	<b>55,975</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed through the Ohio Department of Education:</i>					
Special Education, Part B-IDEA	84.027	312,341	0	295,474	0
Title I Grants to Local Educational Agencies	84.010	20,580	0	11,237	0
		91,494	0	94,801	0
<i>Total Title I Grants to Local Educational Agencies</i>		<u>112,074</u>	<u>0</u>	<u>106,038</u>	<u>0</u>
Innovative Education Program Strategies	84.298	206	0	3,322	0
Safe and Drug Free Schools and Communities State Grant	84.186	392	0	3,919	0
Improving Teacher Quality	84.367	0	0	1,095	0
		25,250	0	22,507	0
<i>Total Improving Teacher Quality</i>		<u>25,250</u>	<u>0</u>	<u>23,602</u>	<u>0</u>
Technology Grant	84.318	764	0	764	0
<b>Total U.S. Department of Education</b>		<b>451,027</b>	<b>0</b>	<b>433,119</b>	<b>0</b>
<b>Total Federal Assistance</b>		<b>\$600,237</b>	<b>\$55,975</b>	<b>\$582,329</b>	<b>\$55,975</b>

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule

**TUSLAW LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – NATIONAL SCHOOL LUNCH PROGRAM**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.





# Mary Taylor, CPA

Auditor of State

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

Tuslaw Local School District  
Stark County  
1835 Manchester Avenue NW  
Massillon, Ohio 44647

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated November 14, 2008.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
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### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated November 14, 2008.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 14, 2008



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Tuslaw Local School District  
Stark County  
1835 Manchester Avenue NW  
Massillon, Ohio 44647

To the Board of Education:

#### Compliance

We have audited the compliance of Tuslaw Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 14, 2008

**TUSLAW LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

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





**Mary Taylor, CPA**  
Auditor of State

**TUSLAW LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 6, 2009**