

TALLMADGE CITY SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Mary Taylor, CPA
Auditor of State

Board of Education
Tallmadge City School District
486 East Avenue
Tallmadge, Ohio 44278

We have reviewed the *Independent Auditors' Report* of the Tallmadge City School District, Summit County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 27, 2010

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**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County as of and for the year ended June 30, 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that 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 the Tallmadge City School District, Summit County as of June 30, 2009, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2009, on our consideration of Tallmadge City School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine of the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 10, 2009

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

This discussion and analysis of Tallmadge City School District's financials provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; for more detail on the financial status of the District the reader is encouraged to look at the financial statements along with the 5-year projections along with accompanying notes.

Financial Highlights

Key financial highlights for 2009 are as follows:

- General revenues accounted for \$25,740,540 in revenue or 91 percent of all operating revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,594,124 or 9 percent of total operating revenues of \$28,334,664.
- The District had \$28,715,207 in expenses related to governmental activities; only \$2,594,124 of these expenses was offset by program specific charges for services, grants, & contributions. General revenues of \$25,740,540 were not adequate to provide for these programs.
- The increase in net capital assets was due in large part to the ongoing building program with \$28,093,302 of construction in progress being completed and depreciation beginning on the new building. The District's 1st phase of the building program was complete in August of 2008, as we opened our new high school building. At this point that is the only phase of a 3 phase master plan that has been funded. The District's plan is to address the next phase in FY 2011.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Tallmadge City School District as a financial entity in its entirety. The statements then proceed to provide a more detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one "other" column. In the case of Tallmadge City School District, the general fund is the most significant operating fund of the District. In addition the building fund is considered a major fund in the financial picture since the passage of the bond levy in November of 2004.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the District to provide for programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Districts' activities are considered to be all Governmental Activities:

Governmental Activities — Most of the District's 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 analysis of the District's major funds begins on **page 8**. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end 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 be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the 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

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2009 compared to 2008:

	Table 1	
	Net Assets	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Current and other assets	\$22,892,395	\$27,871,791
Capital assets, net of depreciation	38,754,706	35,908,503
Total assets	<u>61,647,101</u>	<u>63,780,294</u>
Liabilities		
Current and other liabilities	17,637,660	18,526,582
Long-term liabilities:		
Due within one year	1,068,633	979,269
Due in more than one year	29,527,428	30,480,520
Total liabilities	<u>48,233,721</u>	<u>49,986,371</u>
Net Assets		
Invested in capital assets, net of debt	11,034,706	7,784,788
Restricted	3,940,586	6,864,409
Unrestricted	(1,561,912)	(855,274)
Total net assets	<u>\$13,413,380</u>	<u>\$13,793,923</u>

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2 shows a comparison of net assets for fiscal year 2009 to fiscal 2008.

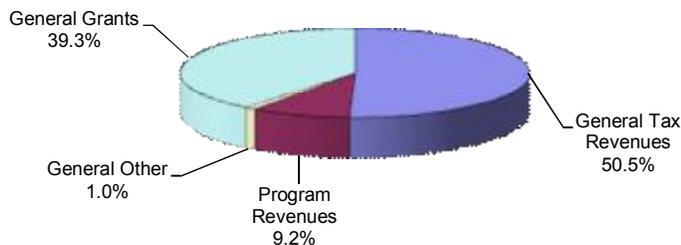
Table 2
Governmental Activities

	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues:		
Charges for services	\$1,514,971	\$1,361,317
Operating grants, contributions and interest	999,970	1,049,666
Capital grants and contributions	79,183	63,852
Total Program Revenues	<u>2,594,124</u>	<u>2,474,835</u>
General Revenues:		
Property taxes	14,311,916	14,512,049
Grants and entitlements	11,132,449	10,556,993
Investment earnings	279,609	1,345,808
Miscellaneous	16,566	8,021
Total General Revenues	<u>25,740,540</u>	<u>26,422,871</u>
Program Expenses		
Instruction:		
Regular	12,212,926	13,732,874
Special	2,543,861	2,830,422
Vocational	906,386	939,547
Adult/continuing	53,603	105,707
Support services:		
Pupil	1,509,906	1,575,874
Instructional staff	498,716	819,523
Board of education	24,847	33,681
Administration	2,517,709	2,096,112
Fiscal	998,211	762,301
Business	211,506	120,794
Operation and maintenance of plant	2,856,121	2,154,111
Pupil transportation	1,129,149	1,577,116
Central	237,161	278,012
Operation non-instructional services	636,915	642,943
Extracurricular activities	1,097,759	988,409
Interest and fiscal charges	1,280,431	1,324,665
Total program expenses	<u>28,715,207</u>	<u>29,982,091</u>
Change in net assets	(380,543)	(1,084,385)
Net Assets Beginning of Year	<u>13,793,923</u>	<u>14,878,308</u>
Net Assets End of Year	<u>\$13,413,380</u>	<u>\$13,793,923</u>

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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Governmental Activities

Tallmadge City School District depends on both property taxes and State funding. All of the operating tax levies of the District are continuing except for the levy passed in May 2001 and the recent 5 year 6.9 mill emergency levy passed in November 2009. The May 2001 levy was renewed in 2006 and generates annual revenues of approximately \$2.83 million. The newest levy passed in November 2009 will generate \$2.86 million per year.



The District's reliance upon tax revenues is demonstrated by the graph above that indicates 50.5% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$25.7 million dollars of support as well as the graph indicating general revenues comprise 90.8% of total revenues.

The dependence on property taxes continues. The community has supported the Tallmadge City School District by a history of voter approval of operating levies. The most recent levy mentioned above from May 2001 comprises 19.5% of the total voted general tax revenue for the District. The District continued to ask the voters for their support and in November 2009 passed a 6.9 mill additional operating levy. Collection of that levy will begin in 2010.

Instruction comprises 54.7% of governmental program expenses. Historically, the District has promoted excellence in educational programs by the allocation of resources in all instructional areas.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 3
Governmental Activities

	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Program Expenses				
Instruction:				
Regular	\$12,212,926	\$11,686,500	\$13,732,874	\$13,234,321
Special	2,543,861	2,178,323	2,830,422	2,512,598
Vocational	906,386	883,030	939,547	921,711
Adult/continuing	53,603	9,202	105,707	71,962
Support services:				
Pupils	1,509,906	1,244,482	1,575,874	1,323,122
Instructional staff	498,716	398,775	819,523	600,268
Board of education	24,847	24,183	33,681	33,040
Administration	2,517,709	2,334,831	2,096,112	1,980,152
Fiscal	998,211	957,898	762,301	743,624
Business	211,506	205,879	120,794	118,510
Operation and maintenance of plant	2,856,121	2,764,657	2,154,111	2,056,062
Pupil transportation	1,129,149	1,000,414	1,577,116	1,464,902
Central	237,161	230,831	278,012	272,723
Operation non-instructional services	636,915	32,494	642,943	54,719
Extracurricular activities	1,097,759	889,153	988,409	794,877
Interest and fiscal charges	1,280,431	1,280,431	1,324,665	1,324,665
 Total expenses	 <u>\$28,715,207</u>	 <u>\$26,121,083</u>	 <u>\$29,982,091</u>	 <u>\$27,507,256</u>

The School District's Fund

The District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$28,432,119 and total expenditures were \$32,454,665. The District continued to experience challenging financial conditions as the revenue falls short of meeting expenditures. The District was on the ballot in May of 2009 and again failed to pass a 6.99 mill emergency levy. However, in November 2009 the District was successful with this same levy. Moving forward, this levy will generate \$2.86 million per year.

General Fund Budgeting Highlights

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

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

During fiscal year 2009, the District from time to time amended its general fund budget with minor modifications. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budget basis revenue estimate was \$23,647,569. The final actual revenue was \$23,398,280 which is \$281,289 lower than the original estimate.

The original expenditures were estimated to be \$26,196,754. This figure was revised slightly over the fiscal year. Actual expenditures, however, were only \$24,873,301, \$1,754,526 less than originally anticipated. The District made numerous cuts heading into the FY 2008 and FY2009 school years. In addition, the District is very conservative in its fiscal approach. We understand that the need to be good stewards of the taxpayer's money while delivering the most effective educational programming is the top priority.

The District's net change in general fund balance was a decrease of (\$1,519,504). This is due to the fact that the District is now on the guarantee for state funding purposes and did not see an increase in FY 09. This level of funding is consistent with the level the District received in FY-03.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$38,754,706 invested in land, construction in progress, buildings, equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

Table 4
Capital Assets, at Fiscal Year End
2009
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$3,354,650	\$3,354,650
Construction in Progress	79,881	28,173,183
Buildings and Improvements	34,196,411	3,177,011
Furniture and Equipment	661,831	655,874
Vehicles	461,933	547,785
Total capital assets	<u>\$38,754,706</u>	<u>\$35,908,503</u>

See **Note 8** to the basic financial statements for detail on the District's capital assets.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Debt

At June 30, 2009 the School District had \$27,720,000 of its bonds, (\$29,640,000) which were sold on April 26, 2006 outstanding. Principal due on the bonds within one year totals \$680,000. Table 5 summarizes the bonds and notes outstanding.

Table 5
Outstanding Debt, at Fiscal Year End
2009

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
2005 Bond Issue - HS Building Project	\$27,720,000	\$28,380,000

The HS Building Project Bonds were issued April of 2005 due to the passage of the Bond Issue Levy on November 2, 2004. The levy was a 4.69 mill \$30,500,000 issue. The total bond indebtedness resulted in \$30,190,000 due to bonds being sold at a premium and generating enough funding to retire the notes. The effective millage for the bond issue is now 4.90 mills.

At June 30, 2009, the District's overall legal debt limitation was \$37,422,607, based on nine percent of the taxable valuation, with an unvoted debt margin of \$415,806. The District's current rating as issued by Standard & Poor's is AAA (Insured) with a recently upgraded AA-(Underlying) rating. See **Note 13** to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

With the passage of the May 2001, 7.5 mill, five year operating levy and the renewal of this levy in November 2006, the District experienced 6 years of solid financial stability. This operating levy combined with prior taxpayer initiatives, provided the necessary funds for the District to manage its educational program and facilities. The District renewed its 1.25 mill permanent improvement levy on November 8th, 2005 for another five years. FY 06 was the first year since the passage of the 2001 levy that expenditures outpaced revenue with FY 07, 08 & 09 continuing that trend in spite of the numerous cuts that have been made. The District has not seen an increase in state funding for the past 7 years.

However, as of this writing the District has successfully passed a new 6.9 mill emergency operating levy on November 3, 2009. This levy will generate \$2.86 million dollars per year for the next 5 years. Collections will begin with the calendar year 2010 which is the second half of FY10. This should allow the District to end FY10 with a slight increase over FY09 year end balance. Moving forward with this levy will provide adequate funding for the District to continue to operate at a level in hopes of maintaining the Excellent with Distinction rating.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

FY-10 brought a new State budget along with a revamped outcome based funding system. However, the new funding system is slated to be phased in over a period of 10 years which means that Tallmadge Schools will not see any increase in the near future. In fact FY-10 will bring a 1% reduction of State funding and FY-11 will reflect an additional 2% funding cut. On the positive side, the new budget will keep in place the total reimbursement of the loss of personal tangible tax thru FY-12. Beyond FY-12 the reduction of reimbursement will be reinstated unless further legislative action is taken.

Ensuring that current resources are preserved for as long as possible is the first and foremost challenge. Management utilizes the five-year forecast of the general fund to monitor resources and expenditure patterns. The District made a series of cuts to personnel and initiated pay to participate in its extra-curricular activities to help offset our budget shortfall. Having failed to pass a levy in 2008 will require another round of cuts for the 2009-10 school year.

A comprehensive master plan to meet the facility needs of children at all grade levels was developed by a Task Force of sixty citizens and staff. The Ohio School Facilities Commission approval of the master plan was secured for facility funding. The District will be eligible to receive a 22% share of funding from the State. A 4.69 mill bond issue for a new high school was formalized and placed on the November 2, 2004 ballot for electorate approval. As mentioned above the issue passed successfully allowing the District to move forward with the local effort of the master plan. The first phase of that master plan has been completed with the opening of the new high school in August of 2008.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions or need additional financial information, contact Jeffery W Hostetler, Treasurer, at Tallmadge City School District, 486 East Avenue, Tallmadge, or E-Mail him at hostetler.jeff@tallmadge.k12.oh.us

BASIC FINANCIAL STATEMENTS

Tallmadge City School District
Summit County, Ohio
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,787,814
Cash in Segregated Accounts	737,026
Receivables:	
Accounts	14,585
Intergovernmental	177,748
Taxes	16,109,411
Inventory Held for Resale	16,295
Materials and Supplies Inventory	49,516
Non-Depreciable Capital Assets	3,434,531
Depreciable Capital Assets, Net	<u>35,320,175</u>
<i>Total Assets</i>	<u>61,647,101</u>
Liabilities	
Current Liabilities:	
Accounts Payable	51,658
Accrued Wages and Benefits	2,439,608
Intergovernmental Payable	664,443
Deferred Revenue	14,186,180
Unearned Revenue	9,446
Claims Payable	286,325
Long-Term Liabilities:	
Due Within One Year	1,068,633
Due In More Than One Year	<u>29,527,428</u>
<i>Total Liabilities</i>	<u>48,233,721</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,034,706
Restricted for:	
Debt Service	697,880
Capital Projects	2,762,291
Other Purposes	480,415
Unrestricted	<u>(1,561,912)</u>
<i>Total Net Assets</i>	<u><u>\$13,413,380</u></u>

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities					Governmental Activities
Instruction:					
Regular	\$12,212,926	\$428,012	\$98,414	\$0	(\$11,686,500)
Special	2,543,861	58,926	306,612	0	(2,178,323)
Vocational	906,386	23,356	0	0	(883,030)
Adult/Continuing	53,603	6,728	37,673	0	(9,202)
Support Services:					
Pupils	1,509,906	52,765	212,659	0	(1,244,482)
Instructional Staff	498,716	10,212	89,729	0	(398,775)
Board of Education	24,847	664	0	0	(24,183)
Administration	2,517,709	107,206	11,370	64,302	(2,334,831)
Fiscal	998,211	25,432	0	14,881	(957,898)
Business	211,506	5,627	0	0	(205,879)
Operation and Maintenance of Plant	2,856,121	71,777	19,687	0	(2,764,657)
Pupil Transportation	1,129,149	128,685	50	0	(1,000,414)
Central	237,161	6,330	0	0	(230,831)
Operation of Non-Instructional Services	636,915	400,699	203,722	0	(32,494)
Extracurricular Activities	1,097,759	188,552	20,054	0	(889,153)
Interest and Fiscal Charges	1,280,431	0	0	0	(1,280,431)
Totals	\$28,715,207	\$1,514,971	\$999,970	\$79,183	(26,121,083)

General Revenues:

Property Taxes Levied for:	
General Purposes	12,140,364
Capital Projects	271,074
Debt Service	1,900,478
Grants and Entitlements not Restricted to Specific Programs	11,132,449
Investment Earnings	279,609
Miscellaneous	16,566
Total General Revenues	25,740,540
Change in Net Assets	(380,543)
<i>Net Assets Beginning of Year</i>	<u>13,793,923</u>
<i>Net Assets End of Year</i>	<u>\$13,413,380</u>

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2009

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,039,288	\$2,453,900	\$1,222,152	\$5,715,340
Receivables:				
Accounts	1,092	0	530	1,622
Intergovernmental	0	0	177,748	177,748
Taxes	13,949,933	0	2,159,478	16,109,411
Interfund	70,494	0	0	70,494
Inventory Held For Resale		0	16,295	16,295
Materials and Supplies Inventory	49,516	0	0	49,516
Advances to Other Funds	208,454	0	0	208,454
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	72,474	0	0	72,474
<i>Total Assets</i>	<u>\$16,391,251</u>	<u>\$2,453,900</u>	<u>\$3,576,203</u>	<u>\$22,421,354</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$14,588	\$1,195	\$35,875	\$51,658
Accrued Wages and Benefits	2,414,648	0	24,960	2,439,608
Interfund Payable	0	0	70,494	70,494
Intergovernmental Payable	620,067	0	44,376	664,443
Deferred Revenue	12,541,751	0	2,060,469	14,602,220
Unearned Revenue	0	0	9,446	9,446
<i>Total Liabilities</i>	<u>15,591,054</u>	<u>1,195</u>	<u>2,245,620</u>	<u>17,837,869</u>
Fund Balances				
Reserved for Encumbrances	202,738	158,398	148,868	510,004
Reserved for Debt Service Principal	0	0	436,136	436,136
Reserved for Property Taxes	1,408,182	0	254,496	1,662,678
Reserved for Bus Purchases	72,474	0	0	72,474
Unreserved:				
Undesignated, Reported in:				
General Fund	(883,197)	0	0	(883,197)
Special Revenue Funds	0	0	321,126	321,126
Capital Projects Funds	0	2,294,307	169,957	2,464,264
<i>Total Fund Balances</i>	<u>800,197</u>	<u>2,452,705</u>	<u>1,330,583</u>	<u>4,583,485</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$16,391,251</u>	<u>\$2,453,900</u>	<u>\$3,576,203</u>	<u>\$22,421,354</u>

See accompanying notes and accountants' report.

**Tallmadge City School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009**

Total Governmental Funds Balances \$4,583,485

*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.

Land	3,354,650	
Construction in Progress	79,881	
Buildings and Improvements	34,196,411	
Furniture, Fixture and Equipment	661,831	
Vehicles	461,933	
Total		38,754,706

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

Taxes		416,040
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.

255,210

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

Compensated Absences Payable	(2,282,434)	
General Obligation Bonds	(28,313,627)	
Total		(30,596,061)

Net Assets of Governmental Activities

\$13,413,380

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$12,114,841	\$0	\$2,164,436	\$14,279,277
Intergovernmental	10,874,719	0	1,373,133	12,247,852
Interest	157,469	118,041	0	275,510
Tuition and Fees	403,196	0	109,837	513,033
Rent	7,620	0	0	7,620
Extracurricular Activities	246,470	0	326,707	573,177
Gifts and Donations	0	0	101,735	101,735
Customer Sales and Services	0	0	421,141	421,141
Miscellaneous	10,374	0	2,400	12,774
<i>Total Revenues</i>	<u>23,814,689</u>	<u>118,041</u>	<u>4,499,389</u>	<u>28,432,119</u>
Expenditures				
Current:				
Instruction:				
Regular	11,800,680	0	244,381	12,045,061
Special	2,189,929	0	321,543	2,511,472
Vocational	872,308	0	0	872,308
Adult/Continuing	12,620	0	41,000	53,620
Support Services:				
Pupils	1,267,007	0	261,311	1,528,318
Instructional Staff	408,073	0	90,165	498,238
Board of Education	24,881	0	0	24,881
Administration	2,473,620	2,406	84,555	2,560,581
Fiscal	946,346	11,568	32,832	990,746
Business	204,243	0	0	204,243
Operation and Maintenance of Plant	2,539,325	160,534	25,224	2,725,083
Pupil Transportation	986,450	0	90,127	1,076,577
Central	244,038	0	0	244,038
Operation of Non-Instructional Services	0	0	618,067	618,067
Extracurricular Activities	853,226	0	183,351	1,036,577
Capital Outlay	11,447	3,109,605	378,638	3,499,690
Debt Service:				
Principal Retirement	0	0	660,000	660,000
Interest and Fiscal Charges	0	0	1,305,165	1,305,165
<i>Total Expenditures</i>	<u>24,834,193</u>	<u>3,284,113</u>	<u>4,336,359</u>	<u>32,454,665</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>(1,019,504)</u>	<u>(3,166,072)</u>	<u>163,030</u>	<u>(4,022,546)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(500,000)	0	0	(500,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(500,000)</u>	<u>0</u>	<u>0</u>	<u>(500,000)</u>
<i>Net Change in Fund Balances</i>	<u>(1,519,504)</u>	<u>(3,166,072)</u>	<u>163,030</u>	<u>(4,522,546)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,319,701</u>	<u>5,618,777</u>	<u>1,167,553</u>	<u>9,106,031</u>
<i>Fund Balances End of Year</i>	<u>\$800,197</u>	<u>\$2,452,705</u>	<u>\$1,330,583</u>	<u>\$4,583,485</u>

See accompanying notes and accountants' report.

**Tallmadge City School District
Summit County, Ohio
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, 2009**

Net Change in Fund Balances - Total Governmental Funds (\$4,522,546)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital Asset Additions	3,532,497	
Depreciation	(686,294)	
Total	2,846,203	2,846,203

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

Property Tax	32,639	
Grants	(137,985)	
Total	(105,346)	(105,346)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets.

General Obligation Bonds		660,000
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Some expenses reported in the statement of activities, such as compensated absences and interest on bond payments do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	178,994	
Interest	24,734	
Total	203,728	203,728

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the government-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

537,418

Change in Net Assets of Governmental Activities (\$380,543)

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$12,118,374	\$12,118,374	\$11,687,649	(\$430,725)
Intergovernmental	10,684,799	10,684,799	10,874,719	189,920
Interest	166,588	166,588	157,469	(9,119)
Tuition and Fees	508,000	508,000	418,772	(89,228)
Rent	71,200	71,200	7,620	(63,580)
Extracurricular Activities	92,000	124,000	246,470	122,470
Miscellaneous	6,608	6,608	5,581	(1,027)
Total Revenues	<u>23,647,569</u>	<u>23,679,569</u>	<u>23,398,280</u>	<u>(281,289)</u>
Expenditures				
Current:				
Instruction:				
Regular	13,469,355	13,695,480	12,996,664	698,816
Special	2,485,100	2,508,281	2,438,058	70,223
Vocational	938,600	944,066	939,369	4,697
Adult/Continuing	78,000	78,000	12,620	65,380
Support Services:				
Pupils	1,408,800	1,415,414	1,208,111	207,303
Instructional Staff	560,250	565,553	422,631	142,922
Board of Education	34,400	34,400	24,984	9,416
Administration	2,020,564	2,072,292	1,903,314	168,978
Fiscal	743,500	753,414	742,459	10,955
Business	134,400	134,900	128,474	6,426
Operation and Maintenance of Plant	2,046,785	2,133,149	2,031,024	102,125
Pupil Transportation	1,160,500	1,147,889	1,003,450	144,439
Central	292,100	303,666	258,280	45,386
Extracurricular Activities	824,400	829,876	752,416	77,460
Capital Outlay	0	11,447	11,447	0
Total Expenditures	<u>26,196,754</u>	<u>26,627,827</u>	<u>24,873,301</u>	<u>1,754,526</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(2,549,185)</u>	<u>(2,948,258)</u>	<u>(1,475,021)</u>	<u>1,473,237</u>
Other Financing (Uses)				
Proceeds from Sale of Capital Assets	25,000	25,000	3,525	(21,475)
Refund of Prior Year Expenditures	0	0	2,227	2,227
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>5,752</u>	<u>(19,248)</u>
Net Change in Fund Balance	(2,524,185)	(2,923,258)	(1,469,269)	1,453,989
Fund Balance at Beginning of Year	3,258,105	3,258,105	3,258,105	0
Prior Year Encumbrances Appropriated	386,562	386,562	386,562	0
Fund Balance at End of Year	<u>\$1,120,482</u>	<u>\$721,409</u>	<u>\$2,175,398</u>	<u>\$1,453,989</u>

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Fund Net Assets
Proprietary Fund
June 30, 2009

	Governmental Activities - Internal Service Fund
	<u>Self-Insurance</u>
Assets	
Cash in Segregated Accounts	\$737,026
Accounts Receivable	<u>12,963</u>
<i>Total Assets</i>	<u>749,989</u>
Liabilities	
Claims Payable	286,325
Advances From Other Funds	<u>208,454</u>
<i>Total Liabilities</i>	<u>494,779</u>
Net Assets	
Unrestricted	<u>255,210</u>
<i>Total Net Assets</i>	<u><u>\$255,210</u></u>

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Governmental Activities - Internal Service Fund
	Self-Insurance
Operating Revenues	
Charges for Services	\$3,028,863
Other Revenues	10,278
<i>Total Revenues</i>	<u>3,039,141</u>
Operating Expenses	
Purchased Services	476,412
Claims	2,529,110
Other	300
<i>Total Operating Expenses</i>	<u>3,005,822</u>
<i>Operating Income</i>	<u>33,319</u>
Non-Operating Revenues	
Interest	4,099
<i>Total Income Before Transfers</i>	37,418
Transfers	500,000
<i>Change in Net Assets</i>	537,418
<i>Net Assets (Deficit) at Beginning of Year</i>	<u>(282,208)</u>
<i>Net Assets at End of Year</i>	<u><u>\$255,210</u></u>

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Internal Service Fund
	Self-Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$3,144,558
Cash Payments for Claims	(2,530,602)
Cash Payments for Goods and Services	(476,412)
Other Operating Revenues	10,278
Other Operating Expenses	(300)
<i>Net Cash Provided by Operating Activities</i>	<u>147,522</u>
Cash Flows from Noncapital Financing Activities	
Advances from Other Funds	<u>21,477</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>21,477</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>4,099</u>
<i>Net Cash Provided by Investing Activities</i>	<u>4,099</u>
<i>Net Increase in Cash and Cash Equivalents</i>	173,098
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>563,928</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$737,026</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$33,319</u>
Adjustments:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	115,695
(Decrease) in Claims Payable	(1,492)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$147,522</u></u>

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2009

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$5,374</u>	<u>\$42,314</u>
<i>Total Assets</i>	<u>5,374</u>	<u><u>\$42,314</u></u>
Liabilities		
Due to Students		<u>\$42,314</u>
<i>Total Liabilities</i>		<u><u>\$42,314</u></u>
Net Assets		
Restricted for Other Purposes	<u>5,374</u>	
<i>Total Net Assets</i>	<u><u>\$5,374</u></u>	

See accompanying notes and accountants' report.

Tallmadge City School District
Summit County, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$4,900
<i>Total Additions</i>	<u>4,900</u>
Deductions:	
Payments in Accordance with Trust Agreements	7,494
<i>Total Deductions</i>	<u>7,494</u>
<i>Change in Net Assets</i>	(2,594)
<i>Net Assets at Beginning of Year</i>	<u>7,968</u>
<i>Net Assets at End of Year</i>	<u><u>\$5,374</u></u>

See accompanying notes and accountants' report.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 1 - Description of the School District

Tallmadge City School District (the "School District") is organized under Article VI, Section 2 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 is primarily located in Summit County with a small portion located in Portage County and encompasses nearly all of the City of Tallmadge. The School District provides educational services as mandated by state and federal agencies. The Board controls the School District's nine instructional/support facilities staffed by 145 classified employees and 187 certified full-time personnel who provide services to 2,586 students and other community members. The School District currently operates three elementary buildings, one middle school, one high school, an administrative building, an annex, a maintenance garage and a bus garage.

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, agencies and offices that are not legally separate from the School District. For Tallmadge City School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reflected as a governmental activity 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. The School District has no component units.

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology and the Six District Educational Compact which are presented in Note 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses.

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

Fund Financial Statements 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

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

Building Fund The Building Fund is a fund provided to account for monies received and expended in connection with contracts to build new school buildings.

The other governmental funds of the School District account for grants and other resources the uses of which are restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income/loss, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District’s only internal service fund is a self-insurance fund that accounts for medical/surgical, prescription drug and dental claims of the School District’s employees.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Fiduciary Fund Type 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

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. 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 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.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, interest, tuition, grants, fees and rentals.

Unearned Revenue and Deferred Revenue Unearned revenue and 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, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance for the fiscal year for which they are intended to finance, 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.

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

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

E. Budgetary Data

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

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 and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, excluding the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2009, investments were limited to a repurchase agreement, STAROhio and negotiable order of withdrawal (NOW) accounts. 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 Securities and Exchange Commission 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 at June 30, 2009.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

Investments of the cash management pool and investments with a 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 original maturity of more than three months that are not made from the pool are reported as investments.

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks and materials and capital improvements. See Note 19 for additional information regarding set asides.

I. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 – 75 years
Furniture, Fixtures and Equipment	10 – 20 years
Vehicles	10 years

J. 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.

K. 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.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, compensated absences and contractually-required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

M. 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 restricted for other purposes include food service operations and extracurricular activities.

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

N. Fund Balance Reserves

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Change in Accounting Principle

For fiscal year 2009, the District has implemented GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations” which establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. In addition, the District implemented GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments” which establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of these statements had no material effect on the financial statements.

Note 3 – Accountability and Compliance

Accountability

At June 30, 2009, the following funds reported deficits in fund balance on the GAAP basis:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Food Service	(\$66,496)
Title VI-B	(\$26,105)
Title I	(\$7,877)
Class Size Reduction Grant	(\$2,299)

These funds complied with Ohio state law, which does not permit cash basis deficits. The General Fund is liable for any deficits in these funds and provides transfers when cash is required not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

At June 30, 2009, the following funds reported deficits in fund balance on the budgetary basis:

Fund	Deficit
Special Revenue Funds	
Food Service	(\$52,127)
Misc. State Grants	(\$10,965)
Title VI-B	(\$17,048)
Title I	(\$12,961)
Class Size Reduction Grant	(\$8,099)

These deficits are due to grant revenue not yet received for incurred expenditures.

Note 4 - 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 (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

Net Change in Fund Balance	General Fund
GAAP Basis	(\$1,519,504)
Revenue Accruals	(410,657)
Expenditure Accruals	245,574
Encumbrances	215,318
Budget Basis	(\$1,469,269)

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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. Interim monies are to be deposited or invested in the following securities:

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 until 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 School District had \$3,180 in undeposited cash on hand, which is included on the Basic Financial Statements as part of “Equity in Pooled Cash and Cash Equivalents”. The bank balance of the School District’s deposits was \$890,903, of which \$250,000 was covered by federal depository insurance. The remaining balance was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the School District’s name. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments All interest is legally required to be placed in the General fund, the Food Service special revenue fund, Building Fund capital projects fund, and the Self-Insurance internal service fund. Due to these provisions, the General fund received \$157,469, of which \$64,700 was assigned from other School District funds.

As of June 30, 2009, the School District had the following investments and maturities:

Investment Type	Fair Value	<u>Investment Maturity</u> Less than One Year
Repurchase Agreements	\$725,000	\$725,000
Charter One NOW Accounts	\$261,032	\$261,032
Morgan Bank	\$4,901,815	\$4,901,815
STAROhio	\$52,488	\$52,488

Interest Rate Risk. The School District’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. As of June 30, 2009, the School District’s investment in Charter One was rated A2 by Moody’s and Morgan Bank and STAROhio were rated AA- and AAAm, respectively by Standard & Poor’s.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities for the School District’s repurchase agreements are held by First Merit Bank in the name of the School District.

Concentration of Credit Risk. The School District places no limit on the amount the School District may invest in any one issuer. More than five percent of the School District’s investments are in NOW accounts (94 percent).

Note 6 - Property Taxes

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 year 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property is currently assessed at eighteen and three quarters percent of true value for capital assets and inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officers and 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, 2009, though not intended to finance fiscal year 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only a portion of the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$1,408,182 in the general fund, \$37,943 in the permanent improvement capital projects fund and \$216,553 in the Bond Retirement Fund. These are recognized as revenue on the fund financial statements.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

Category	2008 Second Half Collections		2009 First Half Collections	
	Amount	%	Amount	%
Real Property Valuation:				
Agricultural/Residential and Other Real Estate	\$332,632,380	78.11%	\$327,508,050	79.97%
Public Utilities Personal	13,404,008	3.15%	4,613,270	1.13%
Tangible Personal	79,818,300	18.74%	77,416,330	18.90%
Total Valuation	<u>\$425,854,688</u>	<u>100.00%</u>	<u>\$409,537,650</u>	<u>100.00%</u>

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Receivables

Receivables at June 30, 2009 consisted of taxes, accounts (student fees and tuition), interfund, and intergovernmental grants. 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 fiscal 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:

	Amounts
Title I	\$68,159
Title VI-B	84,374
Class Size Reduction Grant	25,215
Total	\$177,748

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance 06/30/2008	Additions	Deletions	Balance 06/30/2009
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$3,354,650	\$0	\$0	\$3,354,650
Construction in Progress	28,173,183	0	(28,093,302)	79,881
Total Capital Assets, Not Being Depreciated	31,527,833	0	(28,093,302)	3,434,531
Capital Assets, Being Depreciated:				
Buildings and Improvements	10,116,924	31,549,890	0	41,666,814
Furniture, Fixtures and Equipment	1,705,123	75,909	0	1,781,032
Vehicles	2,474,309	0	0	2,474,309
Total Capital Assets, Being Depreciated	14,296,356	31,625,799	0	45,922,155
Less Accumulated Depreciation:				
Buildings and Improvements	(6,939,913)	(530,490)	0	(7,470,403)
Furniture, Fixtures and Equipment	(1,049,249)	(69,952)	0	(1,119,201)
Vehicles	(1,926,524)	(85,852)	0	(2,012,376)
Total Accumulated Depreciation	(9,915,686)	(686,294)	0	(10,601,980)
Total Capital Assets, Being Depreciated, net	4,380,670	30,939,505	0	35,320,175
Governmental Activities Capital Assets, net	\$35,908,503	\$30,939,505	(\$28,093,302)	\$38,754,706

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$279,107
Special	11,522
Vocational	31,420
Support Services:	
Pupils	5,368
Instructional Staff	19,452
Administration	32,126
Fiscal	1,065
Business	684
Operation and Maintenance of Plant	126,505
Pupil Transportation	86,250
Non-Instructional Services	25,815
Extracurricular Activities	66,980
Total Depreciation Expense	<u>\$686,294</u>

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. These risks are covered by commercial insurance purchased from independent third parties. The following is a summary of the School District's insurance coverage with Todd & Associates, Inc. as of June 30, 2009:

Coverage	Amount
Buildings and Contents - Replacement Costs	\$48,154,910
Inland Marine	\$1,381,000
Boiler and Machinery	\$30,000,000
Crime Insurance	\$50,000
Automobile Liability	\$1,000,000
Uninsured Motorists	\$50,000
General Liability	
Per Occurrence	\$6,000,000
Total Per Year	\$6,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

Self-Insurance

The School District uses an internal service fund to record and report its self-funded health care insurance program. Premium rates are set based on an annual review process with the School District insurance consultant. The Board of Education pays the entire cost of monthly premiums for all full-time employees.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The claims liability of \$286,325 reported in the internal service fund at June 30, 2009 is based on the requirements of GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. The School District purchases stop-loss coverage of \$70,000 per employee annually. Changes in the fund's claims liability in 2008 and 2009 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2008	\$269,957	\$3,055,514	\$3,037,654	\$287,817
2009	\$287,817	\$2,529,110	\$2,530,602	\$286,325

Workers' Compensation

The School District pays the State Self Insurance and Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 10 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability benefits, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Employers/Audit Resources.

Plan members are required to contribute ten percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2009, 2008 and 2007 were \$309,921, \$379,565, and \$321,256 respectively; 43.36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credits calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

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

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,691,173, \$1,708,110, and \$1,600,267 respectively; 83.54 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* will be available after December 31, 2009.

Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web Site at www.strsoh.org.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The School District's contributions for the years ended June 30, 2009, 2008 and 2007 were \$16,603, \$18,436 and \$15,604, respectively, which equaled the required contributions each year.

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

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$143,469, \$142,519 and \$76,184, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employer/Audit Resources.

B. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio Law authorizes STRS to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law.

For the fiscal years ended June 30, 2009, 2008 and 2007, the School District's contributions to post-employment health care were \$108,672, \$131,393 and \$123,097, respectively; 83.54% has been contributed for 2009 and 100% for fiscal years 2008 and 2007.

Note 12 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn three to twenty days of vacation per fiscal year, depending upon length of service.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. All employees who are eligible to retire will receive a severance benefit upon retirement limited to 25 percent of the accumulated sick leave to a maximum pay out of sixty-eight days. The maximum payout in days is determined by their individual contracts.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees.

Note 13 - Debt Obligations

Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Principal Outstanding 07/01/2008	Additions	Deletions	Principal Outstanding 06/30/2009	Amounts Due in One Year
General Long-Term Obligations:					
2005 \$30,190,000, 4.62% Maturing on 12/01/2032 School Facilities Bonds	\$28,380,000	\$0	(\$660,000)	\$27,720,000	\$680,000
Unamortized Premium on Bonds	618,361	0	(24,734)	593,627	
Total General Obligation Bonds	28,998,361	0	(684,734)	28,313,627	680,000
Other Long-Term Obligations:					
Compensated Absences	2,461,428	140,275	(319,269)	2,282,434	388,633
Total Governmental Activities	<u>\$31,459,789</u>	<u>\$140,275</u>	<u>(\$1,004,003)</u>	<u>\$30,596,061</u>	<u>\$1,068,633</u>

The School Facilities Bonds will be paid from the Debt Service Fund. Compensated Absences will be paid from the general fund.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The annual requirements to amortize the long-term debt are as follows:

Fiscal Year Ending	General Obligation Bonds		
	School Facilities Bonds		
June 30,	Principal	Interest	Total
2010	\$680,000	\$1,283,365	\$1,963,365
2011	705,000	1,259,127	1,964,127
2012	730,000	1,234,015	1,964,015
2013	755,000	1,208,028	1,963,028
2014	780,000	1,177,059	1,957,059
2015-2019	4,425,000	5,346,025	9,771,025
2020-2024	5,555,000	4,177,263	9,732,263
2025-2029	7,070,000	2,628,926	9,698,926
2020-2033	7,020,000	700,158	7,720,158
Total	<u>\$27,720,000</u>	<u>\$19,013,966</u>	<u>\$46,733,966</u>

Note 14 - Interfund Transactions

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2009 consisted of the following:

	Transfers In:
	<u>Internal</u>
	Service
	Fund
Transfers Out:	
<u>General Fund</u>	\$500,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The transfer for FY2009 was a reclass of an advance from FY2006 that the District deemed would not be repaid.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. Interfund Balance

	Interfund Receivable
Interfund Payable	General Fund
Other Governmental Funds	\$70,494

The General Fund advanced money to an Other Nonmajor Governmental Fund due to insufficient funding. The advances are expected to be repaid from Other Nonmajor Governmental Funds within one year.

Note 15 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology (NEOnet) – The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Information Technology Center (ITC) used by the School District. NEOnet is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board, Metropolitan Regional Schools Council (MRSC) consisting of superintendents and treasurers from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2009, the School District contributed \$101,589 to NEOnet. Financial information can be obtained by contacting the fiscal agent at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Six District Educational Compact - The Six District Educational Compact is a jointly governed organization to provide for the vocational and special education needs of the students of six participating School Districts. The six member board consists of the superintendent from each of the participating School Districts. Students may attend any vocational or special education class offered by any of the six districts. If a student elects to attend a class offered by a School District other than the School District in which the student resides, the School District of residence pays an instructional fee to the School District that offered the class. Hudson City School District serves as the fiscal agent for this agreement, collecting and distributing payments. The Board exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer or fiscal agent at 15 Atterbury Boulevard, Hudson, Ohio 44236.

Note 16 - Contingencies

A. Grants

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 is 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, 2009.

B. Litigation

There is no litigation that the District is involved as of June 30, 2009.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 17 – Construction Commitments

The District has completed a construction project as of June 30, 2009. The project is the construction of a new high school facility. The District expended \$31,549,890 for the construction of the high school and has \$79,881 in retainage to close out the financials of the project. The district also has a commitment with the Ohio Schools Facilities Program to renovate some of the existing buildings, and possibly build a new elementary building. The plan also includes the sale of two of the buildings currently being used by the District. The construction of the new high school is the first phase of the three phase master plan. However, the timing and future funding of phases 2 & 3 have yet to be determined. The total of the master plan is estimated to be \$54 million of which the OSFC has committed to 22% of the funding. The District will need to complete all phases in order for the OSFC funding to be allocated to the project.

Note 18 – Sale of Real Estate

The District as of June 30, 2009 was in the process of selling the real estate that had been used as the middle school located at 76 North Avenue. The District held an auction to sell the building along with the approx 8 acres of property on which it resides. The high bid received at the auction (\$190,000) was insufficient and the Board elected not to sell the property at that time. The Board subsequently entered into negotiations with Circle North LLC and settled on a lease with an option to purchase the real estate for \$500,000 which was approved by the Board at is September 16th board meeting.

Note 19 - Set-Aside Calculations

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

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by State statute.

	Materials/ Textbooks	Capital Improvements
Set Aside Cash Balance as of June 30, 2008	(1,179,588)	\$0
Current Fiscal Year Set Aside Requirement	441,027	441,027
Qualifying Expenditures During the Fiscal Year	(441,008)	(4,004,448)
Total	(\$1,179,569)	(\$3,563,421)
Set Aside Balance Carried Forward to Future Fiscal Years	(\$1,179,569)	\$0

The School District has qualifying disbursements and offsets during the fiscal year that reduced the textbooks and the capital improvements set-aside amounts below zero. The negative set-aside balance for the textbooks may be used to reduce the set-aside requirement of future years. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 20 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tallmadge City School 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 a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purposes 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 financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tallmadge City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated December 10, 2009.

This report is intended for the information of the District's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 10, 2009

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

Compliance

We have audited the compliance of Tallmadge City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. Tallmadge City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tallmadge City School District management. Our responsibility is to express an opinion on Tallmadge City School 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tallmadge City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Tallmadge City School District's compliance with those requirements.

In our opinion, the Tallmadge City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Tallmadge City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Tallmadge City School District's internal control over compliance with requirements that could have a direct and material effect on 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.

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 administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the 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.

This report is intended for the information of the Board of Education, management, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 10, 2009

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Special Education Cluster; CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	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

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

**INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON
PROCEDURES**

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 19, 2007.
2. We read the policy, noting it included the following requirements from Ohio revised Code Section 3313.666(B):
 - A. A statement prohibiting harassment, intimidations, or bullying of any student on school property or at school-sponsored events;
 - B. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - C. A procedure for reporting prohibited incidents;
 - D. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - E. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974, “ 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - F. A procedure for documenting any prohibited incident that is reported;
 - G. A procedure for responding to and investigating any reported incident;
 - H. A strategy for protecting a victim from additional harassment, intimidation or bullying, and from retaliation following a report;

- I. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- J. A requirement that the District administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "family Educational Rights and Privacy Act of 1974, " 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 10, 2009

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Lunch Program	n/a	10.555	170,781	-	170,781	-
Total Nutrition Cluster			170,781	-	170,781	-
Food Distribution Program	n/a	10.550	-	40,870	-	40,870
Total U.S. Department of Agriculture			170,781	40,870	170,781	40,870
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	44883C1S109	84.010	164,894	-	179,086	-
	44883C1S108		31,425	-	31,518	-
	44883C1SN09		32,251	-	31,020	-
	44883C1SN08		519	-	274	-
			229,089	-	241,898	-
Title VI-B Special Education Assistance	448836BSF09	84.027	385,085	-	375,638	-
	448836BSF08		27,058	-	62,857	-
			412,143	-	438,495	-
Drug Free School Program	44883DRS109	84.186	6,140	-	6,000	-
			6,140	-	6,000	-
Innovative Education Program Strategies	44883C2S109	84.298	1,942	-	1,942	-
	44883C2S108		2,297	-	2,372	-
			4,239	-	4,314	-
Technology Literacy Challenge	44883TJS109	84.318	2,183	-	2,183	-
			2,183	-	2,183	-
Improving Teacher Quality State Grant	44883TRS109	84.367	62,571	-	70,640	-
	44883TRS108		12,482	-	11,188	-
			75,053	-	81,828	-
Total U.S. Department of Education			728,847	-	774,718	-
Total Federal Awards Expenditures			899,628	40,870	945,499	40,870

See notes to Schedule of Federal Awards Expenditures.

**TALLMADGE CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – CHILD NUTRITION CLUSTER

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 nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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



Mary Taylor, CPA
Auditor of State

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 9, 2010