



Dave Yost • Auditor of State

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As further described in Note 3 to the basic financial statements the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 17, 2012

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of Tuslaw Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2011 are as follows:

- The School District completed its House Bill 264 energy conservation retrofit project funded by \$878,000 in Qualified School Construction Bonds.
- The School District continued its project with the Ohio School Facility Commission (OSFC) to build a new elementary building under the classroom facilities assistance program.
- The School District began collecting real estate tax revenues resulting from a five year emergency levy passed in May 2010, generating approximately \$1.2 million dollars annually.
- The School District made final payments on its outstanding capital lease for replacement windows totaling \$130,000.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 1
Net Assets

	<i>Governmental Activities</i>		
	2011	2010	Change
Assets			
Current and Other Assets	\$14,384,863	\$18,682,694	(\$4,297,831)
Capital Assets, Net	22,772,661	17,460,859	5,311,802
<i>Total Assets</i>	<u>37,157,524</u>	<u>36,143,553</u>	<u>1,013,971</u>
Liabilities			
Current Liabilities	6,372,008	6,205,714	166,294
Long-Term Liabilities:			
Due Within One Year	329,210	588,728	(259,518)
Due in More Than One Year	13,887,345	13,878,468	8,877
<i>Total Liabilities</i>	<u>20,588,563</u>	<u>20,672,910</u>	<u>(84,347)</u>
Net Assets			
Invested in Capital Assets	9,841,282	4,326,367	5,514,915
Restricted	6,699,684	12,395,897	(5,696,213)
Unrestricted (Deficit)	27,995	(1,251,621)	1,279,616
<i>Total Net Assets</i>	<u>\$16,568,961</u>	<u>\$15,470,643</u>	<u>\$1,098,318</u>

Total assets increased by \$1,013,971 due to increases in capital assets. Cash and cash equivalents decreased by \$3,270,180; the decreased cash balance is due primarily to the majority of monies received from the Ohio Schools Facility Commission in the prior fiscal year for construction costs associated with building a new elementary school building. Since the School District has been using the cash reserve to finance current school year operations for the past several years, it has reduced spending for the purchase of technology equipment and instructional supplies. However, it is in compliance with the percentage expenditure requirements established by H.B. 412. Capital assets increased by \$5,311,802. The increase can be attributed mainly to the completion of a H.B. 264 energy conservation project, as well as construction in progress on a new elementary school building with an anticipated completion date of Fall, 2011.

Total liabilities remained relatively consistent between fiscal years 2011 and 2010. Although, during fiscal year 2010, the School District issued \$878,000 in energy conservation bonds for the purpose of purchasing and installing energy conservation measures throughout the School District, it made final payments on its outstanding capital lease for replacement windows totaling \$130,000 in fiscal year 2011.

The School District's expense per pupil has historically been one of the lowest in the State. The School District has always spent funds cautiously. Due to the unresolved funding issue of the State and the School District continually being required to implement unfunded State and Federal mandates, the School District is reliant upon additional property tax dollars to cover operating costs.

Tuslaw Local School District
Management's Discussion and Analysis
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The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$12,648,143 or 81 percent of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$2,962,014 or only 19 percent of total revenue.

Table 2 shows a comparative analysis of government-wide changes in net assets data for fiscal year 2011 compared to fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,422,541	\$1,422,408	\$133
Operating Grants and Contributions	1,539,473	1,420,289	119,184
<i>Total Program Revenues</i>	<u>2,962,014</u>	<u>2,842,697</u>	<u>119,317</u>
General Revenues:			
Property Taxes	5,656,877	4,507,690	1,149,187
Grants and Entitlements	6,940,643	16,590,852	(9,650,209)
Investments	16,342	27,139	(10,797)
Miscellaneous	34,281	13,462	20,819
<i>Total General Revenues</i>	<u>12,648,143</u>	<u>21,139,143</u>	<u>(8,491,000)</u>
<i>Total Revenues</i>	<u>15,610,157</u>	<u>23,981,840</u>	<u>(8,371,683)</u>
Program Expenses			
Instruction:			
Regular	6,168,958	5,860,622	(308,336)
Special	1,642,916	1,759,089	116,173
Vocational	186,196	216,335	30,139
Student Intervention Services	14,549	16,026	1,477
Support Services:			
Pupils	783,078	739,112	(43,966)
Instructional Staff	409,212	432,164	22,952
Board of Education	14,353	14,358	5
Administration	1,068,749	1,111,751	43,002
Fiscal	391,561	364,173	(27,388)
Business	45,051	45,525	474
Operation and Maintenance of Plant	1,090,067	1,010,871	(79,196)
Pupil Transportation	806,838	987,312	180,474
Central	36,834	20,770	(16,064)
Operation of Non-Instructional Services	475,839	558,372	82,533
Extracurricular Activities	718,202	723,515	5,313
Interest and Fiscal Charges	659,436	669,152	9,716
<i>Total Program Expenses</i>	<u>14,511,839</u>	<u>14,529,147</u>	<u>17,308</u>
Increase in Net Assets	1,098,318	9,452,693	(8,354,375)
<i>Net Assets Beginning of Year</i>	<u>15,470,643</u>	<u>6,017,950</u>	<u>9,452,693</u>
<i>Net Assets End of Year</i>	<u>\$16,568,961</u>	<u>\$15,470,643</u>	<u>\$1,098,318</u>

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

The School District carefully plans its financial existence by forecasting its revenues and expenses for the next five years. The School District has a limited levy for a total of 7.5 mills, which currently generates an estimated \$707,000 in revenues and was renewed during fiscal year 2008. The School District passed a five year emergency levy in May 2010 generates approximately \$1.2 million annually. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 55 percent of the School District's expenses are used to fund instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 32 percent. The remaining amount of program expenses, 13 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the School District.

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

Table 3
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Governmental Activities:				
Instruction:				
Regular	\$6,168,958	\$4,829,822	\$5,860,621	\$5,100,712
Special	1,642,916	1,175,268	1,759,089	965,198
Vocational	186,196	186,196	216,335	216,335
Student Intervention Services	14,549	14,549	16,026	16,026
Support Services:				
Pupils	783,078	783,078	739,112	735,595
Instructional Staff	409,212	309,632	432,164	411,913
Board of Education	14,353	14,353	14,358	14,358
Administration	1,068,749	1,063,749	1,111,751	1,106,751
Fiscal	391,561	391,561	364,173	364,173
Business	45,051	45,051	45,525	45,525
Operation and Maintenance of Plant	1,090,067	846,315	1,010,871	614,548
Pupil Transportation	806,838	806,838	987,312	987,312
Central	36,834	36,834	20,770	20,770
Operation of Non-Instructional Services	475,839	21,174	558,372	45,917
Extracurricular Activities	718,202	365,969	723,515	372,164
Interest and Fiscal Charges	659,436	659,436	669,153	669,153
Total	\$14,511,839	\$11,549,825	\$14,529,147	\$11,686,450

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 39 percent of total costs are directly supported by local property taxes. Grant and entitlements support about 48 percent of total costs, mainly due to remaining revenues for the OSFC building project in fiscal year 2011. Program revenues only account for 20 percent of all governmental expenses.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District's Funds

Information regarding the School District's major funds can be found on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling \$17,121,449 and expenditures totaling \$20,075,715. The general fund balance increased by \$1,249,786 due to the increase in property tax revenues. The bond retirement fund balance increased by \$27,796 as it accumulates funds to pay for outstanding long-term general obligation debt while also decreasing in value as debt amounts are reduced. The new elementary capital projects fund balance decreased by \$4,027,833 due to the majority of the new elementary school building project revenues being received in fiscal year 2010 and spent in fiscal year 2011.

General Fund Budgeting Highlights

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

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

For the general fund, the original budget basis estimated revenues (at the time the full year's appropriation was first passed) and the final budget basis revenue estimate were relatively consistent. The original budget basis expenditures and the final budget basis expenditures changed only slightly.

The School District's general fund unencumbered ending cash balance totaled \$1,395,609 which was more than the final budgeted amount of \$517,191. Due to limited spending on technology, bus replacement and instructional supply purchases, actual expenditures were significantly less than the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$22,772,661 invested in land, construction in progress, buildings and improvements, furniture and fixtures, and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2011 values compared to fiscal year 2010.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

	<i>Governmental Activities</i>	
	<i>2011</i>	<i>2010</i>
Construction in Progress	\$7,299,362	\$2,178,102
Land	463,538	463,538
Buildings and Improvements	19,706,089	18,818,822
Furniture and Fixtures	1,498,360	1,483,171
Vehicles	1,309,258	1,350,981
Accumulated Deprecation	(7,503,946)	(6,833,755)
<i>Totals</i>	<i>\$22,772,661</i>	<i>\$17,460,859</i>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 9 of the basic financial statements.

Debt

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

Table 5
Outstanding Debt at Year End

	<i>Governmental Activities</i>	
	<i>2011</i>	<i>2010</i>
2002 OSFC General Obligation Bonds:		
Serial and Term Bonds	\$11,955,010	\$11,955,010
Capital Appreciation Bonds	142,475	284,990
Accretion on Capital Appreciation Bonds	346,181	561,989
HB 264 Energy Conservation Bonds	833,894	878,000
<i>Totals</i>	<i>\$13,277,560</i>	<i>\$13,679,989</i>

During fiscal year 2003, the School District issued \$15,000,000 in bonds to build a new high school and renovate the middle school. The bonds will be repaid during a twenty-eight year period, maturing in fiscal year 2031.

During fiscal year 2010, \$878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

The School District's overall debt margin is \$3,458,370 and the unvoted debt margin is \$182,108. For more information on debt refer to Note 15 of the basic financial statements.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

School District Outlook

Tuslaw Local Schools approaches the future with a very conservative approach. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan. The economic condition of the State and the Nation are having a great impact on the financial status of the School District.

The financial future of the School District is faced with challenges which are both internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines what to do with the tremendous State revenue shortfalls and determine how to fund schools adequately.

Although the School District relies heavily on its property taxpayers to support its operations, community support for the schools is quite strong. As mentioned earlier, the Tuslaw voters renewed a five year 7.5 mill operating levy in November, 2007, to help fund the general operations of the School District through the first half of fiscal year 2014. During fiscal year 2013, the School District will place an operating renewal levy on the ballot, as indicated in our 5-year forecast. If passed, existing real property tax revenue would continue to be collected in fiscal year 2014. The School District passed a five year emergency levy in May, 2010 which will generate an additional \$1.2 million per year. Additional revenue and/or reductions in expenditures will be necessary to avoid a negative general fund balance in fiscal year 2016. The School District has communicated to the community that it relies upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's 5-year financial plan. State law limits the growth of income generated by local levies rendering revenue relatively constant.

The School District does not anticipate any meaningful growth in State revenue due to the economic condition of the State. The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2011 was set as part of the State's biennial budget for fiscal years 2012 and 2013. In fiscal years 2010 and 2011, the State funding formula began a pattern of reductions to basic education revenues. If the State continues to decrease funding for schools, it will continue to have an adverse effect on School District finances.

Ohio was allocated \$845 million from ARRA in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. Education SFSF for primary and secondary education was distributed to school districts in fiscal years 2010 and 2011 as part of the foundation settlement payments each month – total foundation support includes both state and federal SFSF funds. These funds ran out at the end of fiscal year 2011. Ohio also received another round of federal stimulus dollars called the Education Jobs Fund which provides for creating, retaining, or maintaining education jobs. Ohio received an estimated \$361 million from this program and the School District was allocated \$328,318 to be used in fiscal year 2012.

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

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Barbara Markland, Treasurer, at Tuslaw Local School District, 1835 Manchester Ave. NW, Massillon, Ohio 44647, or email at bmarkland@tuslaw.sparcc.org.

Tuslaw Local School District

Statement of Net Assets June 30, 2011

	<u>Governmental</u> <u>Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,149,067
Inventory Held for Resale	17,906
Accrued Interest Receivable	1,246
Intergovernmental Receivable	510,043
Taxes Receivable	5,706,601
Land	463,538
Construction in Progress	7,299,362
Depreciable Capital Assets, net	<u>15,009,761</u>
<i>Total Assets</i>	<u>37,157,524</u>
Liabilities	
Accounts Payable	29,349
Accrued Wages and Benefits	818,511
Contracts Payable	488,433
Intergovernmental Payable	254,474
Accrued Interest Payable	38,927
Matured Compensated Absences Payable	4,577
Deferred Revenue	4,737,737
Long-Term Liabilities:	
Due Within One Year	329,210
Due in More Than One Year	13,887,345
<i>Total Liabilities</i>	<u>20,588,563</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	9,841,282
Restricted for Debt Service	765,156
Restricted for Capital Outlay	5,142,077
Restricted for Other Purposes	758,716
Restricted for Set Asides	33,735
Unrestricted	<u>27,995</u>
<i>Total Net Assets</i>	<u>\$16,568,961</u>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	<u>Program Revenues</u>			<i>Net (Expenses) Revenue and Changes in Net Assets</i>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Instruction:				
Regular	\$6,168,958	\$765,082	\$574,054	(\$4,829,822)
Special	1,642,916	0	467,648	(1,175,268)
Vocational	186,196	0	0	(186,196)
Student Intervention Services	14,549	0	0	(14,549)
Support Services:				
Pupils	783,078	0	0	(783,078)
Instructional Staff	409,212	0	99,580	(309,632)
Board of Education	14,353	0	0	(14,353)
Administration	1,068,749	0	5,000	(1,063,749)
Fiscal	391,561	0	0	(391,561)
Business	45,051	0	0	(45,051)
Operation and Maintenance of Plant	1,090,067	10,352	233,400	(846,315)
Pupil Transportation	806,838	0	0	(806,838)
Central	36,834	0	0	(36,834)
Operation of Non-Instructional Services	475,839	308,935	145,730	(21,174)
Extracurricular Activities	718,202	338,172	14,061	(365,969)
Interest and Fiscal Charges	659,436	0	0	(659,436)
Totals	<u>\$14,511,839</u>	<u>\$1,422,541</u>	<u>\$1,539,473</u>	(11,549,825)

General Revenues

Property Taxes Levied for:	
General Purposes	4,770,100
Debt Service	886,777
Grants and Entitlements not Restricted to Specific Programs	6,940,643
Investment Earnings	16,342
Miscellaneous	34,281
Total General Revenues	<u>12,648,143</u>
Change in Net Assets	1,098,318
Net Assets Beginning of Year	<u>15,470,643</u>
Net Assets End of Year	<u>\$16,568,961</u>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District

*Balance Sheet
Governmental Funds
June 30, 2011*

	General Fund	Bond Retirement Fund	New Elementary Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,468,214	\$655,832	\$4,961,048	\$1,030,238	\$8,115,332
Inventory Held for Resale	0	0	0	17,906	17,906
Accrued Interest Receivable	1,246	0	0	0	1,246
Interfund Receivable	53	0	0	0	53
Intergovernmental Receivable	10,792	0	161,768	337,483	510,043
Taxes Receivable	4,899,012	807,589	0	0	5,706,601
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	33,735	0	0	0	33,735
Total Assets	\$6,413,052	\$1,463,421	\$5,122,816	\$1,385,627	\$14,384,916
Liabilities					
Current Liabilities:					
Accounts Payable	\$19,004	\$0	\$0	\$10,345	\$29,349
Accrued Wages and Benefits	774,518	0	0	43,993	818,511
Contracts Payable	0	0	488,433	0	488,433
Intergovernmental Payable	222,929	0	0	31,545	254,474
Interfund Payable	0	0	0	53	53
Matured Compensated Absences Payable	0	0	0	4,577	4,577
Deferred Revenue	4,235,015	686,802	161,768	328,318	5,411,903
Total Liabilities	5,251,466	686,802	650,201	418,831	7,007,300
Fund Balances					
Nonspendable	0	0	0	17,906	17,906
Restricted	33,735	776,619	4,472,615	948,893	6,231,862
Assigned	137,853	0	0	0	137,853
Unassigned (Deficit)	989,998	0	0	(3)	989,995
Total Fund Balances	1,161,586	776,619	4,472,615	966,796	7,377,616
Total Liabilities and Fund Balances	\$6,413,052	\$1,463,421	\$5,122,816	\$1,385,627	\$14,384,916

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances		\$7,377,616
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,772,661
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	184,080	
Intergovernmental Receivables	490,086	
<i>Total</i>	674,166	674,166
In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(38,927)
Long-term liabilities, including bonds and compensated absences payable are not due and payable in the current period:		
General Obligation Bonds	(12,097,485)	
Capital Appreciation Bonds Accretion	(346,181)	
Energy Conservation Bonds	(833,894)	
Compensated Absences	(938,995)	
<i>Total</i>	(14,216,555)	(14,216,555)
<i>Net Assets of Governmental Activities</i>		\$16,568,961

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>New Elementary Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property Taxes	\$4,796,884	\$907,513	\$0	\$0	\$5,704,397
Intergovernmental	6,436,955	128,720	2,167,058	1,191,583	9,924,316
Interest	5,621	0	8,298	2,423	16,342
Tuition and Fees	765,082	0	0	0	765,082
Rent	10,352	0	0	0	10,352
Extracurricular Activities	117,930	0	0	220,242	338,172
Gifts and Donations	5,511	0	0	14,061	19,572
Customer Sales and Services	29,427	0	0	279,508	308,935
Miscellaneous	34,068	0	0	213	34,281
Total Revenues	<u>12,201,830</u>	<u>1,036,233</u>	<u>2,175,356</u>	<u>1,708,030</u>	<u>17,121,449</u>
Expenditures					
Current:					
Instruction:					
Regular	5,130,050	0	0	174,279	5,304,329
Special	1,174,147	0	0	389,764	1,563,911
Vocational	199,008	0	0	0	199,008
Student Intervention Services	13,539	0	0	0	13,539
Support Services:					
Pupils	644,002	0	0	66,452	710,454
Instructional Staff	286,269	0	0	77,882	364,151
Board of Education	14,353	0	0	0	14,353
Administration	991,767	0	0	6,098	997,865
Fiscal	299,353	14,848	0	43,791	357,992
Business	45,051	0	0	0	45,051
Operation and Maintenance of Plant	721,729	0	0	319,071	1,040,800
Pupil Transportation	727,303	0	0	0	727,303
Central	36,834	0	0	0	36,834
Operation of Non-Instructional Services	34,036	0	0	404,934	438,970
Extracurricular Activities	455,290	0	0	196,740	652,030
Capital Outlay	0	0	6,409,075	120,260	6,529,335
Debt Service:					
Principal	60,598	142,515	0	0	203,113
Interest and Fiscal Charges	25,603	538,589	0	0	564,192
Capital Appreciation Bonds Interest	0	312,485	0	0	312,485
Total Expenditures	<u>10,858,932</u>	<u>1,008,437</u>	<u>6,409,075</u>	<u>1,799,271</u>	<u>20,075,715</u>
Excess of Revenues Over (Under) Expenditures	<u>1,342,898</u>	<u>27,796</u>	<u>(4,233,719)</u>	<u>(91,241)</u>	<u>(2,954,266)</u>
Other Financing Sources and Uses					
Transfers In	0	0	205,886	93,112	298,998
Transfers Out	(93,112)	0	0	(205,886)	(298,998)
Total Other Financing Sources (Uses)	<u>(93,112)</u>	<u>0</u>	<u>205,886</u>	<u>(112,774)</u>	<u>0</u>
Net Change in Fund Balances	<u>1,249,786</u>	<u>27,796</u>	<u>(4,027,833)</u>	<u>(204,015)</u>	<u>(2,954,266)</u>
Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)					
	<u>(88,200)</u>	<u>748,823</u>	<u>8,500,448</u>	<u>1,170,811</u>	<u>10,331,882</u>
Fund Balances End of Year	<u>\$1,161,586</u>	<u>\$776,619</u>	<u>\$4,472,615</u>	<u>\$966,796</u>	<u>\$7,377,616</u>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$2,954,266)

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

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

Capital Outlay	6,127,557	
Depreciation	(743,519)	
<i>Total</i>		5,384,038

Governmental funds only report the disposal of capital assets to the extent proceeds are received
from the sale. In the statement of activities, a gain or loss is reported for each disposal. (72,236)

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

Intergovernmental Receivables	(1,463,772)	
Delinquent Property Taxes	(47,520)	
<i>Total</i>		(1,511,292)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets. 515,598

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

Bond Accretion	(96,677)	
Accrued Interest	1,433	
<i>Total</i>		(95,244)

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

Compensated Absences		(168,280)
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Changes in Net Assets of Governmental Activities \$1,098,318

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
Revenues				
Property and Other Local Taxes	\$4,444,942	\$4,444,942	\$4,253,787	(\$191,155)
Intergovernmental	6,405,747	6,405,747	6,436,955	31,208
Interest	20,000	20,000	10,333	(9,667)
Tuition and Fees	540,193	540,193	765,082	224,889
Rent	1,000	1,000	10,352	9,352
Extracurricular Activities	133,301	122,614	117,930	(4,684)
Gifts and Donations	8,111	4,725	5,511	786
Customer Sales and Services	9,721	28,000	29,427	1,427
Miscellaneous	31,406	30,200	25,965	(4,235)
Total Revenues	11,594,421	11,597,421	11,655,342	57,921
Expenditures				
Current:				
Instruction:				
Regular	5,998,889	6,000,232	5,130,371	869,861
Special	1,132,519	1,132,519	1,215,942	(83,423)
Vocational	195,352	195,352	199,782	(4,430)
Student Intervention Services	14,660	14,660	12,722	1,938
Support Services:				
Pupils	663,216	663,216	686,792	(23,576)
Instructional Staff	331,227	331,227	343,220	(11,993)
Board of Education	11,971	11,971	14,420	(2,449)
Administration	1,005,790	1,005,790	1,020,640	(14,850)
Fiscal	318,599	318,599	288,316	30,283
Business	45,525	45,525	45,051	474
Operation and Maintenance of Plant	787,304	787,304	763,644	23,660
Pupil Transportation	756,059	756,059	748,129	7,930
Central	97,508	97,508	36,812	60,696
Extracurricular Activities	497,089	497,089	454,985	42,104
Debt Service:				
Principal	23,078	23,078	60,598	(37,520)
Interest and Fiscal Charges	2,714	2,714	25,603	(22,889)
Total Expenditures	11,881,500	11,882,843	11,047,027	835,816
Excess of Revenues Under Expenditures	(287,079)	(285,422)	608,315	893,737
Other Financing Sources (Uses)				
Transfers In	21,852	18,852	0	18,852
Transfers Out	(96,645)	(96,645)	(93,112)	(3,533)
Total Other Financing Sources (Uses)	(74,793)	(77,793)	(93,112)	15,319
Net Change in Fund Balance	(361,872)	(363,215)	515,203	909,056
Fund Balance Beginning of Year	579,493	579,493	579,493	0
Prior Year Encumbrances Appropriated	300,913	300,913	300,913	0
Fund Balance End of Year	\$518,534	\$517,191	\$1,395,609	\$909,056

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<i>Private Purpose</i>	
	<u><i>Trust</i></u>	<u><i>Agency</i></u>
<i>Assets</i>		
Equity in Pooled Cash and Cash Equivalents	<u>\$30,177</u>	<u>\$67,184</u>
<i>Total Assets</i>	<u>\$30,177</u>	<u>\$67,184</u>
<i>Liabilities</i>		
Current Liabilities:		
Accounts Payable	\$300	\$0
Undistributed Monies	0	30,970
Due to Students	<u>0</u>	<u>36,214</u>
<i>Total Liabilities</i>	<u>\$300</u>	<u>\$67,184</u>
<i>Net Assets</i>		
Held in Trust for Scholarships	<u>\$29,877</u>	

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	<u><i>Private Purpose Trust</i></u>
<i>Additions</i>	
Gifts and Contributions	\$13,926
Interest	113
<i>Total Additions</i>	<u>14,039</u>
<i>Deductions</i>	
	<u>0</u>
<i>Increase in Fiduciary Net Assets</i>	14,039
<i>Net Assets Beginning of Year</i>	<u>15,838</u>
<i>Net Assets End of Year</i>	<u><u>\$29,877</u></u>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 - Description of the School District and Reporting Entity

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

The School District serves an area of approximately forty-four square miles. It is located in Stark and Wayne Counties and includes portions of Lawrence, Tuscarawas, and Perry Townships, and the City of Massillon. It is staffed by sixty classified employees, eighty three certified teaching personnel, and nine administrative employees who provide services to 1,472 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

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

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark Portage Area Computer Consortium, Stark County Area Joint Vocational School, Stark County Schools Council of Government and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

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

New Elementary Capital Project Fund The new elementary capital project fund accounts for revenues received from the Ohio Schools Facility Commission restricted for the construction of a new elementary school building.

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

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

C. Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2011.

F. Cash and Cash Equivalents

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

During fiscal year 2011, investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$5,621 which includes \$2,609 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Inventory

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Capital Assets

All capital assets of the School District are classified as 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. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave benefits is made to the extent that it is probable that benefits will result in termination payments. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include student activities, food service operations and special education.

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

L. Fund Balance

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

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance (continued)

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

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

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

M. Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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.

N. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

O. Estimates

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 3 – Change in Accounting Principles and Restatement of Fund Balance

A. Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

B. Restatement of Fund Balance

The implementation of GASB Statement No. 54 had the following effect on the fund balances of the major and nonmajor funds as they were previously reported:

	General Fund	Bond Retirement Fund	New Elementary Capital Project Fund	Nonmajor Governmental Funds	Total
Fund Balance at June 30, 2010	(\$134,919)	\$748,823	\$8,500,448	\$1,217,530	\$10,331,882
Change in Fund Structure	46,719	0	0	(46,719)	0
Adjusted Fund Balance at June 30, 2010	<u>(\$88,200)</u>	<u>\$748,823</u>	<u>\$8,500,448</u>	<u>\$1,170,811</u>	<u>\$10,331,882</u>

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 and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 4 - Budgetary Basis of Accounting (Continued)

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

	General
<i>GAAP Basis</i>	\$1,249,786
Net Adjustment for Revenue Accruals	(546,488)
Net Adjustment for Expenditure Accruals	(81,682)
Adjustment for Encumbrances	(106,413)
<i>Budget Basis</i>	\$515,203

Note 5 – Fund Balances

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

Fund Balances	General Fund	Bond Retirement Fund	New Elementary Capital Project Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$0	\$0	\$0	\$17,906	\$17,906
<i>Restricted for</i>					
Food Service	0	0	0	191,066	191,066
Student Activities	0	0	0	107,443	107,443
Debt Service	0	776,619	0	0	776,619
Classroom Facilities	0	0	4,472,615	587,694	5,060,309
Textbooks	33,735	0	0	0	33,735
Other Purposes	0	0	0	62,690	62,690
<i>Total Restricted</i>	33,735	776,619	4,472,615	948,893	6,231,862
<i>Assigned to</i>					
Other Purposes	137,853	0	0	0	137,853
<i>Unassigned (Deficit)</i>	989,998	0	0	(3)	989,995
<i>Total Fund Balances</i>	\$1,161,586	\$776,619	\$4,472,615	\$966,796	\$7,377,616

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 6 – Deposits and Investments (Continued)

Inactive deposits are public deposits that the Board 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$0 of the School District's bank balance of \$2,230,149 was uninsured and uncollateralized.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 6 – Deposits and Investments (Continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2011, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$6,047,545 has an average maturity of 58.3 days.

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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.

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Stark and Wayne Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 7 - Property Taxes (Continued)

Accrued property taxes receivable includes delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$663,997 in the general fund and \$120,787 in the debt service fund. The amount available as an advance at June 30, 2010 was \$120,900 in the general fund and \$31,780 in the debt service fund. The difference was in timing and collection by the County Auditors. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<i>2011 First Half Collections</i>		<i>2010 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$172,255,160	94.59%	\$171,525,850	94.38%
Public Utility Personal	9,853,160	5.41	9,978,670	5.49
Tangible Personal Property	0	0.00	229,753	.13
	<u>\$182,108,320</u>	<u>100.00%</u>	<u>\$181,734,273</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$65.50		\$60.20	

Note 8 - Receivables

Receivables at June 30, 2011 consisted of property taxes, accrued interest 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 other than delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
School Employees Retirement System Refund	\$10,792
Title VI-B	8,723
Title I	328
Education Jobs	328,318
Technology	114
Ohio School Facilities Construction Project Drawdown	161,768
<i>Total Intergovernmental Receivables</i>	<u>\$510,043</u>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	<i>Balance 6/30/10</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance 6/30/11</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Construction in Progress	\$2,178,102	\$6,108,527	(\$987,267)	\$7,299,362
Land	463,538	0	0	463,538
<i>Total Capital Assets, not being depreciated</i>	<u>2,641,640</u>	<u>6,108,527</u>	<u>(987,267)</u>	<u>7,762,900</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	18,818,822	987,267	(100,000)	19,706,089
Furniture and Fixtures	1,483,171	19,030	(3,841)	1,498,360
Vehicles	1,350,981	0	(41,723)	1,309,258
<i>Total Capital Assets, being depreciated</i>	<u>21,652,974</u>	<u>1,006,297</u>	<u>(145,564)</u>	<u>22,513,707</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,255,762)	(611,082)	30,303	(5,836,541)
Furniture and Fixtures	(759,835)	(80,309)	1,302	(838,842)
Vehicles	(818,158)	(52,128)	41,723	(828,563)
<i>Total Accumulated Depreciation</i>	<u>(6,833,755)</u>	<u>(743,519)*</u>	<u>73,328</u>	<u>(7,503,946)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>14,819,219</u>	<u>262,778</u>	<u>(72,236)</u>	<u>15,009,761</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$17,460,859</u>	<u>\$6,371,305</u>	<u>(1,059,503)</u>	<u>\$22,772,661</u>

*Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$282,981
Special	70,386
Vocational	9,786
<i>Support Services:</i>	
Pupils	48,768
Instructional Staff	40,100
Administration	57,760
Fiscal	13,134
Operation and Maintenance of Plant	46,034
Pupil Transportation	77,404
Extracurricular Activities	63,200
Food Service	33,966
<i>Total Depreciation Expense</i>	<u>\$743,519</u>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 10 - Interfund Activities

A. Interfund Transfers

In accordance with ORC Section 3318.051(B) and Ohio School Facility Commission requirements, a transfer was made of \$93,112 from the General fund to the OSFC Facility Maintenance fund. The New Elementary Capital Project fund received a transfer of \$205,886 from the Building fund for costs related to the new elementary school project.

B. Interfund Balances

The general fund provided temporary funding in the amount of \$53 to the technology fund pending the receipt of grant money that will be used to repay the loan.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with Leonard Insurance Services for property and fleet coverage and Hylant Administrative Services, LLC through the Ohio School Plan for liability coverage. There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the past three years. Coverage type, limits and deductibles are as follows:

<i>Type of Coverage</i>	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$42,054,091	\$5,000
Inland Marine Coverage	Various	500
Automobile Liability	1,000,000	0
Uninsured Motorists	50,000	0
Medical Payments	5,000	0
Crime – Emp Dishonesty	50,000	1,000
General Liability:		
Per Occurrence	4,000,000	0
Aggregate	6,000,000	0
Umbrella	3,000,000	0

The School District is a participant in the Stark County Schools Council of Government’s Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services of the GRP.

The School District has contracted with the Stark County Schools Council of Government’s Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,442.97 for family coverage and \$592.67 for single coverage per employee per month.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 12 - Employee Benefits

A. Compensated Absences

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

B. Life Insurance

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

Note 13 - Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$187,561, \$210,978 and \$146,071, respectively. For fiscal year 2011, 38.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 13 - Pension Plans (Continued)

B. State Teachers Retirement System (continued)

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

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 these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$660,715 for the fiscal year ended June 30, 2011, \$673,713 for the fiscal year ended June 30, 2010, and \$653,744 for the fiscal year ended June 30, 2009. For fiscal year 2011, 88.41 percent has been contributed for the DB plan and 88.41 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$5,879 made by the School District and \$4,200 made by the plan members. In addition, member contributions of \$4,887 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 14 - Postemployment Benefits (Continued)

A. School Employees Retirement System (continued)

authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$29,475 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$52,186, \$40,611, and \$66,849, respectively. For fiscal year 2011, 38.7 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$12,070, \$12,546, and \$12,052 respectively. For fiscal year 2011, 38.7 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$50,824, \$51,824, and \$50,288 respectively. For fiscal year 2011, 88.41 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	<i>Balance</i>			<i>Balance</i>		<i>Amounts</i>
	<i>6/30/10</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/11</i>	<i>Due</i>	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
<i>Compensated Absences</i>	\$770,715	\$246,809	(\$78,529)	\$938,995	\$77,393	
<i>Capital Leases:</i>						
Citibank - Window Replacement	16,492	0	(16,492)	0	0	
<i>HB 264 Qualified School Construction Bonds:</i>						
\$878,000 6.15% Energy Conservation Bonds	878,000	0	(44,106)	833,894	51,817	
<i>2002 OSFC High School Bonds:</i>						
\$14,715,000 2.00-5.00% Serial/Term Bonds	11,955,010	0	0	11,955,010	0	
\$284,990 14.852% Capital Appreciation Bonds	284,990	0	(142,515)	142,475	54,282	
Accretion on Capital Appreciation Bonds	561,989	96,677	(312,485)	346,181	145,718	
<i>Total General Obligation Bonds</i>	<u>12,801,989</u>	<u>96,677</u>	<u>(455,000)</u>	<u>12,443,666</u>	<u>200,000</u>	
<i>Total Governmental Activities</i>						
<i>Long-Term Liabilities</i>	<u>\$14,467,196</u>	<u>\$343,486</u>	<u>(\$594,127)</u>	<u>\$14,216,555</u>	<u>\$329,210</u>	

Compensated absences payments are paid from the general fund. Capital lease payments were paid from the general fund.

On October 24, 2002, the School District issued \$15,000,000 in general obligation school facilities construction and improvement bonds to pay off the bond anticipation notes. The bonds were issued for a twenty-eight year period with a final maturity at December 2, 2030. The bond issue consists of serial, term and capital appreciation bonds. Accretion in the amount of \$96,677 was added and represents the annual accretion of discounted interest for the capital appreciation bonds. At maturity, the final amount of the outstanding capital appreciation bonds will be \$575,000. The principal and interest requirements will be recorded in the debt service fund.

During fiscal year 2010, \$878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

The School District's overall debt margin is \$3,458,370 and the unvoted debt margin is \$182,108.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 15 - Long-Term Obligations (Continued)

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

2002 OSFC Bonds				
<i>Fiscal Year</i>	<i>Serial and Term Bonds</i>		<i>Capital Appreciation Bonds</i>	
<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2012	\$0	\$538,589	\$54,282	\$145,718
2013	0	538,589	88,193	286,807
2014	455,000	530,512	0	0
2015	470,000	513,741	0	0
2016	490,000	495,614		
2017-2021	2,710,000	2,150,051	0	0
2022-2026	3,470,000	1,442,004	0	0
2027-2031	4,360,010	524,678	0	0
Total	\$11,955,010	\$6,733,778	\$142,475	\$432,525

2011 Energy Conservation Bonds		
<i>Fiscal Year</i>		
<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2012	\$51,817	\$17,241
2013	52,911	16,147
2014	54,028	15,030
2015	55,168	13,890
2016	56,333	12,725
2017-2021	300,012	45,278
2022-2025	263,625	12,608
Total	\$833,894	\$132,919

Note 16 - Jointly Governed Organizations

A. Stark Portage Area Computer Consortium

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts. During fiscal year 2011, the School District paid \$59,110 to SPARCC for services rendered.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 16 - Jointly Governed Organizations (Continued)

B. Stark County Area Joint Vocational School

The Stark County Area Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Area Joint Vocational School possesses its own budgeting and taxing authority. The Stark County Area Joint Vocational School provides vocational instruction to students of participating districts. To obtain financial information write to the Stark County Area Joint Vocational School, 2800 Richville Drive, S.E., Massillon, Ohio 44646.

Note 17 - Public Entity Risk Pools

A. Stark County Schools Council of Government

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

B. Ohio School Plan

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. Approximately 230 educational entities are members of the Plan. The Plan's board elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to the Ohio School Plan, Hylant Administrative Services, 811 Madison Avenue, Toledo, Ohio 43604.

Note 18 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 19 - Set-Asides

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

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

	<i>Textbooks</i>	<i>Capital Acquisition</i>
<i>Set-Aside Reserve Balance as of June 30, 2010</i>	(\$55,889)	\$0
Current Year Set-Aside Requirement	222,984	222,984
Qualifying Disbursements	<u>(133,360)</u>	<u>(6,166,232)</u>
<i>Total</i>	<u>\$33,735</u>	<u>(\$5,943,248)</u>
<i>Set-Aside Balance Carried Forward to Future Years</i>	<u>\$0</u>	<u>\$0</u>
<i>Set-Aside Reserve Balance as of June 30, 2011</i>	<u><u>\$33,735</u></u>	<u><u>\$0</u></u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

Note 20 – Contractual Commitments

During fiscal year 2010, the School District was approved by the Ohio Schools Facility Commission (OSFC) to build a new elementary building under the classroom facilities assistance program. As of June 30, 2011, the School District had entered into contractual commitments for the project as follows:

<u>Project/Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment</u>
Brewer-Garrett Co.	\$ 34,412	\$ 17,980	\$ 16,432
Brookside Lawn Service	97,115	13,983	83,132
Continental Office Environments	318,745	0	318,745
Knoch Corporation	5,070,300	3,115,745	1,954,555
MKC Associates	680,205	591,781	88,424
Mecon	1,660,180	990,610	669,570
RNL Fire Systems	110,897	67,816	43,081
RT Hampton Plumbing	370,495	294,110	76,385
Superior Paving	313,355	0	313,355
Wood Electric	1,404,774	687,711	717,063

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2011

Note 21 – Subsequent Events

The District sold \$9,404,960 of refunding bonds on November 17, 2011. This transaction refinanced a portion of the District's bonds that were originally sold in 2002. The new bonds have a final maturity of December 1, 2030 and carry an interest rate of 3.20%.

The District sold \$2,549,157 of refunding bonds on December 14, 2011. This transaction refinanced the remaining portion of the District's bonds that were originally sold in 2002 and were not already refunded by the issue sold in November 2011. The new bonds have a final maturity of December 1, 2018 and carry an interest rate of 1.49%.

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**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<i>Federal Grantor/Pass Through Grantor Program Title</i>	<i>Federal CFDA Number</i>	<i>Receipts</i>	<i>Non-Cash Receipts</i>	<i>Expenditures</i>	<i>Non-Cash Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed through the Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$61,660		\$61,660
Cash Assistance:					
National School Lunch Program	10.555	\$143,837		\$143,837	
<i>Total Child Nutrition Cluster</i>		<u>143,837</u>	<u>61,660</u>	<u>143,837</u>	<u>61,660</u>
Total U.S. Department of Agriculture		<u>143,837</u>	<u>61,660</u>	<u>143,837</u>	<u>61,660</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through the Ohio Department of Education:</i>					
Special Education Cluster (IDEA):					
ARRA - Special Education Grants to States	84.391			4,078	
Special Education Grants to States	84.027	275,742		265,309	
<i>Total Special Education Cluster</i>		<u>275,742</u>		<u>269,387</u>	
Title I, Part A Cluster:					
ARRA - Title I Grants to Local Educational Agencies	84.389	24,947		31,704	
Title I Grants to Local Educational Agencies	84.010	164,915		154,194	
<i>Total Title I, Part A Cluster</i>		<u>189,862</u>		<u>185,898</u>	
Improving Teacher Quality	84.367	46,538		24,592	
ARRA - Fiscal Stabilization Fund (SFSF)	84.394	466,800		458,236	
School Improvement Subsidy G	84.377	60,000		52,027	
ARRA - Race to the Top	84.395	6,016		4,700	
Education Technology State Grant	84.318	202		255	
Total U.S. Department of Education		<u>1,045,160</u>		<u>995,095</u>	
Total Federal Assistance		<u>\$1,188,997</u>	<u>\$61,660</u>	<u>\$1,138,932</u>	<u>\$61,660</u>

The accompanying notes are an integral part of this schedule.

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH PROGRAM

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

NOTE C – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuslaw Local School District, Stark County, Ohio ,(the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2012. We noted governmental fund balances were restated due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 17, 2012.

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

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

Dave Yost
Auditor of State

January 17, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tuslaw Local School District, Stark County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Tuslaw Local School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Tuslaw Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 17, 2012

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



Dave Yost
Auditor of State

January 17, 2012

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA – State Fiscal Stabilization – Education Grants to States CFDA #84.394
(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

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647-9698

To the Board of Education:

Ohio Rev. 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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Tuslaw Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 12th, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2012

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Dave Yost • Auditor of State

TUSLAW LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2012**