



**Auditor of State
Betty Montgomery**

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	19
Statement of Fiduciary Net Assets Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets Fiduciary Funds	21
Notes to the Basic Financial Statements	23
Schedule of Receipts and Expenditures of Federal Awards.....	45
Notes to the Schedule of Receipts and Expenditures of Federal Awards	46
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	49
Schedule of Findings.....	51

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Tuslaw Local School District
Stark County
1723 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 the Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuslaw Local School District, Stark County, Ohio, as of June 30, 2004, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof 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 December 20, 2004 of 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

December 20, 2004

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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, 2004. 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 2004 are as follows:

- In total, net assets increased by \$1,142,333.
- Revenues for governmental activities totaled \$11,654,242 in 2004. Of this total, 89 percent consisted of General revenues while Program revenues accounted for the balance of 11 percent.
- Program expenses totaled \$10,511,909. Instructional expenses made up 55 percent of this total while support services accounted for 31 percent. Other expenses rounded out the remaining 14 percent.
- Outstanding general obligation debt was \$14,895,000 which will be paid over a twenty eight year period.

Using this Annual Financial Report

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 2004?" 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, 2004
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 reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, new facility capital projects fund and bond retirement fund.

Governmental Funds

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

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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 2004 compared to 2003:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<i>2004</i>	<i>2003</i>
Assets		
Current and Other Assets	\$16,004,264	\$21,756,042
Capital Assets, Net	11,491,913	4,213,754
<i>Total Assets</i>	<i>27,496,177</i>	<i>25,969,796</i>
Liabilities		
Current and Other Liabilities	6,691,401	5,851,763
Long-term Liabilities		
Due Within One Year	463,301	497,449
Due in More than One Year	15,170,713	15,592,155
<i>Total Liabilities</i>	<i>22,325,415</i>	<i>21,941,367</i>
Net Assets		
Invested in Capital Assets, Net of Debt	3,314,811	2,303,277
Restricted	1,076,732	845,247
Unrestricted	779,219	879,905
<i>Total Net Assets</i>	<i>\$5,170,762</i>	<i>\$4,028,429</i>

Total assets increased by \$1,526,381. Cash and cash equivalents decreased by \$6,102,683. The decrease is attributed to the money spent on the construction in progress on the new high school. The general fund cash and cash equivalents increased by \$21,289.

Total liabilities increased by \$384,048. The majority of the increase can be attributed to contracts payable increasing by \$383,697 and retainage payable increasing by \$234,907. The other notable area of increase was \$181,834 in deferred revenue due to anticipated increases in tax collections.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$1,142,333.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$10,356,255 or 89 percent of the total revenue. The most significant portion of the general revenue is local property tax and state support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,297,987 or only 11 percent of total revenue.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows a comparative analysis of government-wide changes in net assets data for fiscal year 2004 compared to fiscal year 2003.

Table 2
Changes in Net Assets

	<i>Governmental Activities 2004</i>	<i>Governmental Activities 2003</i>
Revenues		
Program Revenues:		
Charges for Services	\$637,971	\$846,051
Operating Grants and Contributions	609,706	0
Capital Grants and Contributions	50,310	466,711
<i>Total Program Revenues</i>	<u>1,297,987</u>	<u>1,312,762</u>
General Revenues:		
Property Taxes	4,681,757	4,115,823
Grants and Entitlements	4,883,466	4,676,576
Investments	178,658	341,712
Miscellaneous	612,374	474,660
<i>Total General Revenues</i>	<u>10,356,255</u>	<u>9,608,771</u>
<i>Total Revenues</i>	<u>11,654,242</u>	<u>10,921,533</u>
Program Expenses		
Instruction		
Regular	4,571,128	3,900,113
Special	1,116,539	1,078,518
Vocational	134,920	134,880
Support Services:		
Pupil	451,938	389,090
Instructional Staff	283,434	277,582
Board of Education	18,447	13,127
Administration	809,084	790,755
Fiscal	291,272	262,447
Business	28,456	24,808
Operation and Maintenance	632,941	773,513
Pupil Transportation	685,009	743,573
Operating of Non-Instructional Services	399,510	396,984
Extracurricular Activities	473,417	490,068
Interest and Fiscal Charges	615,814	789,757
<i>Total Program Expenses</i>	<u>10,511,909</u>	<u>10,065,215</u>
<i>Increase in Net Assets</i>	1,142,333	856,318
<i>Net Assets Beginning of Year</i>	<u>4,028,429</u>	<u>3,172,111</u>
<i>Net Assets End of Year</i>	<u>\$5,170,762</u>	<u>\$4,028,429</u>

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District has a continuing levy for a total of 7.5 mills, which currently generates an estimated \$691,000 in revenues and is up for renewal in 2007. 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.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

As one can see, approximately 55 percent of the School Districts expense is used to fund instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 31 percent. The remaining amount of program expenses, 14 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

Actual expenses were consistent with expectations and the School District even exhibited an increase in net assets in 2004 of \$1,142,333. This increase was primarily due to increased property tax revenues due to construction of housing developments.

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

Table 3
Governmental Activities

	<i>Total Cost of Services 2004</i>	<i>Net Cost of Services 2004</i>
	<u>2004</u>	<u>2004</u>
Instruction		
Regular	\$4,571,128	(\$4,380,643)
Special	1,116,539	(737,802)
Vocational	134,920	(134,920)
Support Services:		
Pupil	451,938	(433,165)
Instructional Staff	283,434	(262,655)
Board of Education	18,447	(18,447)
Administration	809,084	(790,109)
Fiscal	291,272	(287,122)
Business	28,456	(28,456)
Operation and Maintenance	632,941	(582,328)
Pupil Transportation	685,009	(685,009)
Operation of Non-Instructional Services	399,510	10,117
Extracurricular Activities	473,417	(267,569)
Interest and Fiscal Charges	615,814	(615,814)
<i>Total</i>	<u>\$10,511,909</u>	<u>(\$9,213,922)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 45 percent of total costs are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 46 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 12 percent of all governmental expenses.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

School District's Funds

Information regarding the School District's major funds can be found on page 23 and 24 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources totaling \$12,000,181 and expenditures and other financing uses totaling \$18,599,463. The General Fund balance decreased \$70,919. The \$109,028 increase in fund balance in the debt service fund was due to collections of property taxes for an entire tax year cycle to retire bonded debt. The new facility capital projects fund balance decreased by \$6,679,588, due to money spent on the construction of a new high school.

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.

During the course of fiscal 2004, the School District amended its general fund budget numerous times, none significant. 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 final budget basis revenue estimate totaled \$8,307,940; no modifications were made to the revenues and other financing sources during the fiscal year. The budget basis expenditures and other financing uses estimate totaled \$9,197,882 compared to original estimates of \$8,569,450. The increased appropriation can be attributed to the change in the method that open enrollment expenditures and revenues were recorded. Originally the net open enrollment costs/revenues were posted; however, this was changed to reflect the total amount received in tuition from open enrollment as a tuition and fee and the total expenditure as a regular instruction tuition expenditure.

The School District's general fund unencumbered ending cash balance totaled \$1,768,186, which was above the original budgeted amount, due to lower actual expenditures than budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the School District had \$11,491,913 invested in land, construction in progress, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2004 values compared to 2003.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

	<i>Governmental Activities</i>	
	<i>2004</i>	<i>2003</i>
Land	\$463,537	\$463,782
Construction in Progress	7,901,246	1,220,412
Buildings and Improvements	4,114,397	3,472,434
Furniture and Fixtures	601,094	577,463
Vehicles	1,103,046	1,072,084
Accumulated Deprecation	(2,691,347)	(2,592,421)
<i>Totals</i>	<i>\$11,491,973</i>	<i>\$4,213,754</i>

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

Debt

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

Table 5
Outstanding Debt, at Year End

	<i>Governmental Activities</i>	
	<i>2004</i>	<i>2003</i>
New Facility Capital Projects Bonds	\$14,640,000	\$15,000,000
Notes Payable	255,000	255,000
<i>Totals</i>	<i>\$14,895,000</i>	<i>\$15,255,000</i>

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

The School District exceeds its overall debt limitation. The school district requested and obtained consent to become a special needs district, thereby permitting the incurrence of additional debt based upon projected ten year growth of the school district's assessed valuation, as permitted by the Ohio Revised Code Section 133.06(E). 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, 2004
Unaudited

School District Outlook

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

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

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong. As mentioned earlier, the Tuslaw voters had renewed a five year 7.5 mill operating levy in November, 2002, which will help fund the general operations of the School District through the first half of fiscal year 2007. The School District is expecting to have a positive general fund balance through the end of the 2006 fiscal year. Additional revenue and/or reductions in expenditures will be necessary to maintain a positive general fund balance after the end of the 2006 fiscal year. The School District has communicated to the community they rely upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support.

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

Tuslaw Local School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The State has stated that the per pupil revenue for a minimum education should be increased at an inflationary rate of 2.8 percent per year for future years; however, that was cut to 2.2 percent in the biennial budget that encompasses fiscal years 2004 and 2005. The affect of a 2004 property reappraisal will have a negative affect on the State's share of per pupil funding. With 37.7 percent of the revenue for the School District coming from property taxes, one can see the significant impact this constraint would have on the School District and ultimately, the residential taxpayers.

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

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Sheryl Shaw Stewart, Treasurer, at Tuslaw Local School District, 1723 Manchester Ave. NW, Massillon, Ohio 44647, or email at s_stewart@sparcc.org.

Tuslaw Local School District
Statement of Net Assets
June 30, 2004

	<i>Governmental Activities</i>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$10,641,157
Cash and Cash Equivalents in Segregated Accounts	234,907
Inventory Held for Resale	8,346
Materials and Supplies Inventory	1,147
Accrued Interest Receivable	41,496
Accounts Receivable	888
Intergovernmental Receivable	169,191
Prepaid Items	20,102
Taxes Receivable	4,887,030
Non-Depreciable Capital Assets	8,364,753
Depreciable Capital Assets, net	3,127,160
	<i>Total Assets</i>
 <i>Liabilities</i>	
Accounts Payable	105,550
Accrued Wages and Benefits	703,108
Contracts Payable	800,983
Intergovernmental Payable	235,736
Retainage Payable	234,907
Accrued Interest Payable	45,575
Deferred Revenue	4,565,542
Long-Term Liabilities:	
Due Within One Year	463,301
Due in More Than One Year	15,170,713
	<i>Total Liabilities</i>
 <i>Net Assets</i>	
Invested in Capital Assets, Net of Related Debt	3,314,811
Restricted for Debt Service	407,749
Restricted for Capital Outlay	494,800
Restricted for Other Purposes	174,183
Unrestricted	779,219
	<i>Total Net Assets</i>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	<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	\$4,571,128	\$19,011	\$171,474	\$0	(\$4,380,643)
Special	1,116,539	66,421	312,316	0	(737,802)
Vocational	134,920	0	0		(134,920)
Support Services:					
Pupils	451,938	13,354	5,419	0	(433,165)
Instructional Staff	283,434	0	20,779	0	(262,655)
Board of Education	18,447	0	0	0	(18,447)
Administration	809,084	17,346	1,629	0	(790,109)
Fiscal	291,272	3,775	375	0	(287,122)
Business	28,456	0	0	0	(28,456)
Operation and Maintenance of Plant	632,941	303	0	50,310	(582,328)
Pupil Transportation	685,009	0	0	0	(685,009)
Operation of Non-Instructional Services	399,510	312,703	96,924	0	10,117
Extracurricular Activities	473,417	205,058	790	0	(267,569)
Interest and Fiscal Charges	615,814	0	0	0	(615,814)
Totals	<u>\$10,511,909</u>	<u>\$637,971</u>	<u>\$609,706</u>	<u>\$50,310</u>	<u>(\$9,213,922)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	3,698,249
Debt Service	983,508
Grants and Entitlements not Restricted to Specific Programs	4,883,466
Investment Earnings	178,658
Miscellaneous	612,374
Total General Revenues	<u>10,356,255</u>
Change in Net Assets	1,142,333
Net Assets Beginning of Year	<u>4,028,429</u>
Net Assets End of Year	<u>\$5,170,762</u>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District

*Balance Sheet
Governmental Funds
June 30, 2004*

	General Fund	Bond Retirement Fund	New Facility Capital Projects Fund	Other Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,038,196	\$290,109	\$7,980,334	\$332,518
Cash and Cash Equivalents in Segregated Accounts	0	0	234,907	0
Inventory Held for Resale	0	0	0	1,147
Materials and Supplies Inventory	0	0	0	8,346
Accrued Interest Receivable	4,431	0	37,065	0
Accounts Receivable	888	0	0	0
Intergovernmental Receivable	18,868	0	0	150,323
Prepaid Items	15,819	0	4,283	0
Taxes Receivable	3,844,514	1,042,516	0	0
Total Assets	\$5,922,716	\$1,332,625	\$8,256,589	\$492,334
Liabilities				
Accounts Payable	\$87,909	\$0	\$0	\$17,641
Accrued Wages and Benefits	642,949	0	0	60,159
Contracts Payable	0	0	800,983	0
Intergovernmental Payable	145,838	0	0	8,290
Retainage Payable	0	0	234,907	0
Deferred Revenue	3,603,124	956,816	0	127,542
Total Liabilities	4,479,820	956,816	1,035,890	213,632
Fund Balances				
Reserved:				
Reserved for Encumbrances	195,930	0	5,467,718	55,519
Reserved for Property Taxes	241,390	85,700	0	0
Unreserved, Undesignated, Reported in:				
General Fund	1,005,576	0	0	0
Special Revenue Funds	0	0	0	165,033
Debt Service Fund	0	290,109	0	0
Capital Projects Funds	0	0	1,752,981	58,150
Total Fund Balances	1,442,896	375,809	7,220,699	278,702
Total Liabilities and Fund Balances	\$5,922,716	\$1,332,625	\$8,256,589	\$492,334

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, 2004*

<i>Total Governmental Funds</i>	<div style="border: 1px solid black; width: 100px; height: 15px; margin-bottom: 5px;"></div> <i>Total Governmental Fund Balances</i>	\$9,318,106
\$10,641,157	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
234,907	Capital assets used in governmental activities are not financial	
1,147	resources and therefore are not reported in the funds.	11,491,913
8,346		
41,496	Other long-term assets are not available to pay for current-	
888	period expenditures and therefore are deferred in the funds.	
169,191		
20,102	Delinquent Property Taxes	121,940
4,887,030		
\$16,004,264	Intergovernmental payable includes contractually required	
	pension obligation not expected to be paid with expendable	
	available financial resources and therefore not reported in the funds.	(81,608)
\$105,550		
703,108	In the Statement of Activities, interest is accrued on outstanding	
800,983	bonds and notes, whereas in governmental funds, an interest	
154,128	expenditure is reported when due.	(45,575)
234,907		
4,687,482		
6,686,158	Long-term liabilities, including bonds payable and accrued	
	interest payable, are not due and payable in the current period	
	and therefore, are not reported in the funds:	
	General Obligation Bonds	(14,640,000)
	Notes Payable	(255,000)
5,719,167	Compensated Absences	(620,154)
327,090	Capital Leases	(118,860)
1,005,576	<i>Total</i>	(15,634,014)
165,033		
290,109	<i>Net Assets of Governmental Activities</i>	\$5,170,762
1,811,131		
9,318,106		
\$16,004,264		

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General Fund	Bond Retirement Fund	New Facility Capital Projects Fund	Other Governmental Funds
Revenues				
Property Taxes	\$3,698,370	\$977,476	\$0	\$0
Intergovernmental	4,765,919	117,647	0	611,202
Interest	19,346	0	156,571	2,741
Tuition and Fees	635,913	0	0	44
Rent	20,125	0	0	0
Extracurricular Activities	0	0	0	252,222
Gifts and Donations	43,775	0	0	4,939
Customer Sales and Services	10,550	0	0	307,734
Miscellaneous	23,758	0	0	0
Total Revenues	9,217,756	1,095,123	156,571	1,178,882
Expenditures				
Current:				
Instruction:				
Regular	4,450,475	0	0	145,939
Special	728,292	0	0	383,948
Vocational	135,175	0	0	0
Support Services:				
Pupils	417,949	0	0	17,148
Instructional Staff	206,569	0	0	73,533
Board of Education	18,639	0	0	0
Administration	805,835	0	0	12,200
Fiscal	280,053	16,436	0	375
Business	28,355	0	0	0
Operation and Maintenance of Plant	854,195	0	0	491
Pupil Transportation	696,735	0	0	0
Operation of Non-Instructional Services	0	0	0	402,840
Extracurricular Activities	282,769	0	0	202,060
Capital Outlay	0	0	7,086,159	0
Debt Service:				
Principal	23,858	360,000	0	0
Interest and Fiscal Charges	7,927	609,659	0	0
Total Expenditures	8,936,826	986,095	7,086,159	1,238,534
Excess of Revenues Over (Under) Expenditures	280,930	109,028	(6,929,588)	(59,652)
Other Financing Sources and Uses				
Transfers In	0	0	250,000	101,849
Transfers Out	(351,849)	0	0	0
Total Other Financing Sources (Uses)	(351,849)	0	250,000	101,849
Net Change in Fund Balances	(70,919)	109,028	(6,679,588)	42,197
Fund Balances Beginning of Year	1,513,815	266,781	13,900,287	236,505
Fund Balances End of Year	\$1,442,896	\$375,809	\$7,220,699	\$278,702

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, 2004*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	(\$6,599,282)
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$4,675,846	Governmental funds report capital outlay as expenditures.	
5,494,768	However, in the statement of activities, the cost of those	
178,658	assets is allocated over their estimated useful lives as	
635,957	depreciation expense. In the current period, these amounts are:	
20,125		
252,222	Capital Assets Additions	7,429,524
48,714	Capital Assets Disposals	(283)
318,284	Current Year Depreciation	<u>(151,082)</u>
23,758	Total	7,278,159
<u>11,648,332</u>		
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	Delinquent Property Taxes	5,910
4,596,414		
1,112,240	Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
135,175		
435,097		
280,102	Bond Principal Retirement	360,000
18,639	Capital Lease Retirement	<u>12,857</u>
818,035		
296,864	Total	372,857
28,355		
854,686	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,772
696,735		
402,840		
484,829		
7,086,159	Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
383,858		
617,586		
<u>18,247,614</u>	Compensated Absences	71,733
(6,599,282)	Pension Obligations	<u>184</u>
	Total	<u>71,917</u>
351,849	<i>Changes in Net Assets of Governmental Activities</i>	<u>1,131,333</u>
(351,849)		
<u>0</u>		
(6,599,282)		
15,917,388		
<u>\$9,318,106</u>		

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Tuslaw Local School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
Property Taxes	\$3,486,540	\$3,486,540	\$3,697,940	\$211,400
Intergovernmental	4,661,000	4,661,000	4,765,551	104,551
Interest	43,000	43,000	14,915	(28,085)
Tuition and Fees	54,000	54,000	708,049	654,049
Rent	45,000	45,000	20,125	(24,875)
Extracurricular Activities	200	200	0	(200)
Gifts and Donations	0	0	43,775	43,775
Customer Sales and Services	0	0	10,550	10,550
Miscellaneous	18,200	18,200	7,209	(10,991)
<i>Total Revenues</i>	<u>8,307,940</u>	<u>8,307,940</u>	<u>9,268,114</u>	<u>960,174</u>
Expenditures				
Current:				
Instruction:				
Regular	3,816,179	4,511,891	4,536,555	(24,664)
Special	853,671	810,071	795,100	14,971
Vocational	140,229	140,229	135,494	4,735
Support Services:				
Pupils	396,737	439,757	429,821	9,936
Instructional Staff	204,131	205,431	205,416	15
Board of Education	16,337	18,937	18,928	9
Administration	821,051	806,051	803,451	2,600
Fiscal	269,259	276,759	276,504	255
Business	26,084	28,184	28,001	183
Operation and Maintenance of Plant	899,808	859,608	859,522	86
Pupil Transportation	747,902	702,902	702,072	830
Operation of Non-Instructional Services:				
Community Services	2,554	2,554	0	2,554
Extracurricular Activities	276,220	289,220	288,149	1,071
Capital Outlay	72,637	79,637	78,344	1,293
Debt Service:				
Principal	16,594	16,594	11,166	5,428
Interest and Fiscal Charges	10,057	10,057	6,028	4,029
<i>Total Expenditures</i>	<u>8,569,450</u>	<u>9,197,882</u>	<u>9,174,551</u>	<u>23,331</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(261,510)</u>	<u>(889,942)</u>	<u>93,563</u>	<u>983,505</u>
<i>Other Financing Sources and Uses</i>				
Advances In	0	50,000	95,191	45,191
Transfers Out	304,892	364,892	351,848	13,044
Refund of Prior Year Receipts	34	34	0	34
Advances Out	17,091	85,627	85,628	(1)
<i>Total Other Financing Sources and Uses</i>	<u>(322,017)</u>	<u>(400,553)</u>	<u>(342,285)</u>	<u>58,268</u>
<i>Net Change in Fund Balances</i>	<u>(583,527)</u>	<u>(1,290,495)</u>	<u>(248,722)</u>	<u>1,041,773</u>
<i>Fund Balance Beginning of Year</i>	1,783,209	1,783,209	1,783,209	0
Prior Year Encumbrances Appropriated	233,699	233,699	233,699	0
<i>Fund Balance End of Year</i>	<u>\$1,433,381</u>	<u>\$726,413</u>	<u>\$1,768,186</u>	<u>\$1,041,773</u>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u><i>Private Purpose Trust</i></u>	
	<u><i>Special Trust</i></u>	<u><i>Agency</i></u>
<i>Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$15,942	\$77,203
<i>Total Assets</i>	<u>15,942</u>	<u>77,203</u>
<i>Liabilities</i>		
Undistributed Monies	0	43,471
Due to Students	4,150	33,732
<i>Total Liabilities</i>	<u>4,150</u>	<u>\$77,203</u>
<i>Net Assets</i>		
Held in Trust for Scholarships	11,792	
<i>Total Net Assets</i>	<u>\$11,792</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, 2004

	<i>Special Trust</i>
<i>Additions</i>	
Gifts and Contributions	\$6,250
Interest	240
<i>Total Additions</i>	6,490
 <i>Deductions</i>	
Scholarships Awarded	4,400
 <i>Increase in Fiduciary Net Assets</i>	 2,090
 <i>Net Assets Beginning of Year</i>	 9,702
 <i>Net Assets End of Year</i>	 \$11,792

See Accompanying Notes to the Basic Financial Statements

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Tuslaw Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 fifty nine classified employees, eighty eight certified teaching personnel, and nine administrative employees who provide services to 1,417 students and other community members. The School District currently operates four instructional/support buildings.

Reporting Entity

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

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

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark-Portage Area Computer Consortium, Stark County Joint Vocational School, Stark County Schools Council of Government Workers’ Compensation Group Rating Program, the Stark County Schools Council of Government Health Benefits Program and the Ohio School Plan. These organizations are presented in Notes 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, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

New Facility Capital Project Fund The building fund accounts for bond proceeds and interest revenue to be used for the construction of a new high school and renovations to the existing high school.

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and 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 6). 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final certificate of estimated resources issued during fiscal year 2004.

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 2004.

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 2004, investments were limited to repurchase agreements, STAROhio, money market mutual funds, banker's acceptances, federal agency instruments and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, food service fund, Hawk trust fund and capital improvements fund during fiscal year 2004 amounted to \$19,346, \$2,741, \$240, and \$156,571, respectively. The general fund interest includes \$3,368 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. There were no restricted assets at June 30, 2004.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District capitalization threshold is \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	30 years
Buildings and Buildings Improvements	20 - 75 years
Furniture and Fixtures	7 - 15 years
Vehicles	15 years

K. Interfund Balances

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

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (continued)

N. Net Assets

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

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

O. Fund Balance Reserves

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

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

P. Interfund Activity

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 3 – Fund Deficits

The following funds had deficit fund balances at June 30, 2004:

<i>Fund</i>	<i>Amount</i>
Special Revenue Funds:	
Title I	\$21,453
Title II-A	6,476

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

Note 4 - Budgetary Basis of Accounting

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

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

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

	<i>General</i>
<i>GAAP Basis</i>	(\$70,919)
Net Adjustment for Revenues	50,358
Advances In	95,191
Net Adjustment for Expenditures	32,288
Advances Out	(85,628)
Adjustment for Encumbrances	(270,012)
<i>Budget Basis</i>	(\$248,722)

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 5 - Deposits and Investments

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

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

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

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

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

Interim monies may be invested in the following securities:

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 5 - Deposits and Investments (continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$3,147,804 and the bank balance was \$2,970,000. Of the bank balance, \$200,000 was covered by federal depository insurance and \$2,770,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio and mutual funds which are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<i>Category 3</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
STAROhio		\$4,288,378	\$4,288,378
Repurchase Agreement	\$34,327	34,327	34,327
Federal National Mortgage Association	499,500	499,500	499,500
Federal Home Loan Bank	1,004,845	1,004,845	1,004,845
Federal Home Loan Mortgage Corporation	1,994,355	1,994,355	1,994,355
<i>Totals</i>	<u>\$3,533,027</u>	<u>\$7,821,405</u>	<u>\$7,821,405</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 5 - Deposits and Investments (continued)

	<i>Cash and Cash Equivalents/Deposits</i>	<i>Investments</i>
<i>GASB Statement No. 9</i>	\$10,969,209	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(34,327)	34,327
STAROhio	(4,288,378)	4,288,378
Federal National Mortgage Association	(499,500)	499,500
Federal Home Loan Bank	(1,004,845)	1,004,845
Federal Home Loan Mortgage Corporation	(1,994,355)	1,994,355
<i>GASB Statement No. 3</i>	\$3,147,804	\$7,821,405

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the values as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid 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, 2004, are available to finance fiscal year 2004 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, 2004

Note 6 - 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, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$327,090 and is recognized as revenue. \$241,390 was available to the general fund and \$85,700 was available to the bond retirement debt service fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<i>2003 Second Half Collections</i>		<i>2004 First Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$146,256,030	89.14%	\$126,071,800	86.69%
Public Utility Personal	10,537,320	6.42	11,390,480	7.73
Tangible Personal Property	7,283,559	4.44	7,275,290	5.58
	\$164,076,909	100.00%	\$144,737,570	100.00%
Tax Rate per \$1,000 of assessed valuation	\$53.90		\$53.90	

Note 7 - Receivables

Receivables at June 30, 2004, consisted of property taxes, accounts (rent, tuition and fees), intergovernmental grants, accrued interest, and interfunds. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<i>Amounts</i>
Tuition	\$18,868
Grants	150,323
<i>Total Intergovernmental Receivables</i>	\$169,191

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<i>Balance at</i> <i>6/30/03</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i> <i>6/30/04</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$463,537	\$0	\$0	\$463,537
Construction in Progress	1,220,412	7,320,002	639,198	7,901,216
<i>Total Capital Assets, not being depreciated</i>	<u>1,683,949</u>	<u>7,320,002</u>	<u>639,198</u>	<u>8,364,753</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Buildings Improvements	3,472,679	641,718	0	4,114,397
Furniture and Fixtures	577,463	36,572	(12,941)	601,094
Vehicles	1,072,084	70,460	(39,498)	1,103,046
<i>Total Capital Assets, being depreciated</i>	<u>5,122,226</u>	<u>748,750</u>	<u>(52,439)</u>	<u>5,818,537</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(1,768,093)	(50,131)	0	(1,818,224)
Furniture and Fixtures	(307,142)	(39,955)	12,658	(334,439)
Vehicles	(517,186)	(60,996)	39,498	(538,684)
<i>Total Accumulated Depreciation</i>	<u>(2,592,421)</u>	<u>(151,082)</u>	<u>52,156</u>	<u>(2,691,347)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$4,213,754</u>	<u>\$7,917,670</u>	<u>(\$639,481)</u>	<u>\$11,491,943</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$46,450
Special	5,491
Vocational	970
<i>Support Services:</i>	
Pupil	4,158
Instructional Staff	3,337
Administration	8,920
Fiscal	840
Operation and Maintenance of Plant	13,882
Pupil Transportation	59,929
Operation of Non-Instructional Services	6,756
Extracurricular Activities	349
Total Depreciation Expense	<u><u>\$151,082</u></u>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 9 - Interfund Transfers

During fiscal year 2004, the general fund transferred \$351,849. \$250,000 was transferred to the capital improvements capital projects fund to pay for future building projects that will be funded partially by the Ohio School Facility Commission and \$101,849 to the Title I special revenue fund to help cover program costs.

Note 10 - 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 2004, the School District contracted with Leonard Insurance Services for both Property and fleet coverage and Harcum-Hyre Insurance Agency, Inc. for liability coverage. Coverage type, limits and deductibles are as follows:

<i>Type of Coverage</i>	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$28,668,807	\$5,000
Inland Marine Coverage	252,738	100
Automobile Liability	1,000,000	500
Uninsured Motorists	50,000	0
Commercial Crime Insurance	50,000	1,000
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0
Umbrella	2,000,000	0

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.

Governments Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control and actuarial services of the GRP.

The School District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$739.82 for family coverage and \$303.85 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, 2004

Note 11 - 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 310 days of sick leave that may be accumulated for certified employees and 310 days for classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 66 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 Governments Health Benefits Program.

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues publicly available general purpose financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 12 - Defined Benefit Pension Plans (continued)

A. State Teachers Retirement System (continued)

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year ended June 30, 2003, 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2004, 2003, and 2002 were \$518,934, \$499,720, and \$350,070, respectively; equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002, 83 percent has been contributed for 2004, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$109,315, \$102,568, and \$64,997, respectively; the full amount has been contributed for fiscal year 2003 and 2002, 51 percent has been contributed for fiscal year 2004, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The STRS board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$39,917, for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including surcharge, equaled \$98,518 during the 2004 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 14 - Capital Leases

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

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$191,758. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2004 totaled \$23,858 in the general fund. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$31,785
2006	24,490
2007	17,195
2008	17,195
2009	17,195
2009-2011	34,389
<i>Total</i>	142,249
Less: Amount Representing Interest	(23,388)
<i>Present Value of Net Minimum</i>	\$118,861

Note 15- Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2004 were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts Due</u>
	<u>6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/04</u>	<u>In One Year</u>
<i>Compensated Absences</i>	\$691,886	\$0	(\$71,733)	\$620,153	\$87,992
<i>Capital Leases:</i>					
Citibank - Window Replacement	109,450	0	(11,166)	98,284	11,806
Banc One – Telephone Equipment	33,268	0	(12,691)	20,577	13,503
<i>Total Capital Leases</i>	142,718	0	(23,857)	118,861	25,309
<i>Tax Anticipation Notes 3.50%</i>	255,000	0	0	255,000	0
<i>Tax Anticipation Bonds 4.48%</i>	15,000,000	0	(360,000)	14,640,000	350,000
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$16,089,604	\$0	(\$455,590)	\$15,634,014	\$463,301

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 15 - Long-Term Obligations (continued)

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 period with a final maturity at December 1, 2030. The bond issue consists of serial, term and capital appreciation bonds. The bonds have a varying interest rate ranging from 2.00 percent to 14.85 percent. The principal and interest requirements will be recorded in the debt service fund.

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

The School District exceeds its overall debt limitation. The school district requested and obtained consent to become a special needs district, thereby permitting the incurrence of additional debt based upon projected ten year growth of the school district's assessed valuation, as permitted by the Ohio Revised Code Section 133.06(E).

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

<i>Fiscal Year</i> <i>Ending June 30,</i>	<i>General Obligation Bonds</i>		<i>General Obligation Notes</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2005	\$350,000	\$593,634	0	8,925
2006	370,000	586,434	0	8,925
2007	385,000	578,499	0	8,925
2008	420,000	569,014	255,000	4,463
2009	430,000	557,851		
2010-2014	1,185,000	2,691,543		
2015-2019	2,550,000	2,372,754		
2020-2024	3,105,000	1,749,925		
2025-2029	3,980,000	916,113		
2030-2031	1,865,000	87,297		
<i>Total</i>	<u>\$14,640,000</u>	<u>\$10,703,064</u>	<u>\$255,000</u>	<u>\$31,238</u>

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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

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, 6805 Richville Drive, S.W., 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 school district (usually the superintendent or designee). 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 comprised of 15 Stark County school districts and a Workers Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating school districts pay an 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-Hyre, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to The Ohio School Plan, Harcum-Hyre Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

Note 18 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Note 19 - State School Funding Issue

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2004

Note 19 - State School Funding Issue (continued)

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

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 20 - Set-Asides

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

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

	<i>Textbooks</i>	<i>Capital Acquisition</i>
<i>Set-Aside Cash Balance as of June 30, 2003</i>	\$26,198	\$0
Current Year Set-Aside Requirement	179,102	179,102
Qualifying Disbursements	252,728	6,269,653
<i>Total</i>	(\$47,428)	(\$6,090,551)
<i>Set-Aside Cash Balance as of June 30, 2004</i>	\$0	\$0

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 21 – Contractual Commitments

As of June 30, 2004, the following are the contractual commitments for the new facility construction project on the new high school:

<i>Contractor</i>	<i>Contract Amount</i>	<i>Amount Paid at 6/30/04</i>
D&A Plumbing & Heating	\$367,632	\$200,496
MKC Associates, Inc.	794,743	687,989
RPCarbene Company	613,694	538,177
S.A. Comunale Co., Inc.	138,400	58,969
Standard Plumbing & Heating	1,294,252	628,556
Wenger Excavating, Inc.	1,029,252	955,576
Wood Electric Inc.	1,040,533	427,816
C.T. Taylor, Inc	5,947,595	3,164,604
Comfort Control Group, Inc.	233,864	25,678

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<i>Federal Grantor/Pass Through Grantor Program Title</i>	<i>Pass Through Entity Number</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>						
<i>Child Nutrition Cluster:</i>						
Food Distribution Program	Not Applicable	10.550	\$0	\$23,356	\$0	\$23,356
National School Lunch Program	Not Applicable	10.555	76,731	0	76,731	0
<i>Total U.S. Department of Agriculture - Child Nutrition Cluster</i>			76,731	23,356	76,731	23,356
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Grants to States	049957-6B-SF-03P	84.027	0	0	16,032	0
	049957-6B-SF-04P	84.027	166,979	0	166,979	0
<i>Total Special Education Grants to States</i>			166,979	0	183,011	0
Title I Grants to Local Educational Agencies	049957-C1-S1-03	84.010	28,699	0	28,699	0
	049957-C1-S1-04	84.010	138,028	0	138,028	0
<i>Total Title I Grants to Local Educational Agencies</i>			166,727	0	166,727	0
Innovative Education Program Strategies	049957-C2-S1-03	84.298	740	0	0	0
	049957-C2-S1-04	84.298	7,309	0	7,309	0
<i>Total Innovative Education Program Strategies</i>			8,049	0	7,309	0
Safe and Drug Free Schools and Communities State Grant	049957-DR-S1-03	84.186	5,170	0	6,305	0
	049957-DR-S1-04	84.186	1,408	0	0	0
<i>Total Safe and Drug Free Schools and Communities State Grant</i>			6,578	0	6,305	0
Improving Teacher Quality	049957-TR-S1-03	84.367	9,914	0	6,422	0
	049957-TR-S1-04	84.367	48,767	0	46,580	0
<i>Total Improving Teacher Quality</i>			58,681	0	53,002	0
Technology Grant	049957-TJ-S1-03	84.318	601	0	420	0
	049957-TJ-S1-04	84.318	3,736	0	3,736	0
<i>Total Technology Grant</i>			4,337	0	4,156	0
Emergency School Repair	049957-OSF-1	84.352A	50,310	0	0	0
<i>Total Emergency School Repair Grant</i>			50,310	0	0	0
<i>Total U.S. Department of Education</i>			461,661	0	420,510	0
Total Federal Assistance			\$538,392	\$23,356	\$497,241	\$23,356

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

Tuslaw Local School District
Notes to the Schedule of Receipts and Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

Note A - Significant Accounting Policies

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

Note B - Food Distribution

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Tuslaw Local School District
Stark County
1723 Manchester Avenue, NW
Massillon, Ohio 44647

To the Board of Education:

We have audited the basic financial statements of Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated December 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2004.

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Tuslaw Local School District
Stark County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 20, 2004



Auditor of State Betty Montgomery

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

Tuslaw Local School District
Stark County
1723 Manchester Avenue, NW
Massillon, Ohio 44647

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 are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

December 20, 2004

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<i>Special Education Cluster. Special Education Grants to States, CFDA #84.027 and Special Education Preschool Grants, CFDA # 84.173</i>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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.



**Auditor of State
Betty Montgomery**

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**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 10, 2005**