



Dave Yost • Auditor of State

Tuslaw Local School District

1835 Manchester Avenue NW

Massillon, Ohio 44647

Basic External Financial Report



For the Fiscal Year Ended June 30, 2012

Barbara Markland, Treasurer/CFO

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**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

December 7, 2012

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012. 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 2012 are as follows:

- The School District sold \$9,404,960 of refunding bonds on November 17, 2011. This transaction refinanced a portion of the School District's bonds that were originally sold in 2002. The new bonds have a final maturity of December 1, 2030 and carry an interest rate of 3.2 percent.
- The School District sold \$2,549,158 of refunding bonds on December 14, 2011. This transaction refinanced some of the remaining portion of the School District's bonds that were originally sold in 2002 and were not already refunded by the issue sold in November 2011. The new bonds have a final maturity of December 1, 2018 and carry an interest rate of 1.49 percent.
- The School District continued its project with the Ohio School Facility Commission (OSFC) to build a new elementary building under the classroom facilities assistance program.
- The School District continued collecting real estate tax revenues resulting from a five year emergency levy passed in May 2010, generating approximately \$1.2 million dollars annually.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2012?" 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

Tuslaw Local School District
Management's Discussion and Analysis
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Unaudited

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.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 1
Net Assets

	<i>Governmental Activities</i>		
	2012	2011	Change
Assets			
Current and Other Assets	\$11,033,911	\$14,384,863	(\$3,350,952)
Capital Assets, Net	26,845,290	22,772,661	4,072,629
<i>Total Assets</i>	<u>37,879,201</u>	<u>37,157,524</u>	<u>721,677</u>
Liabilities			
Current Liabilities	6,824,420	6,372,008	452,412
Long-Term Liabilities:			
Due Within One Year	634,700	329,210	305,490
Due in More Than One Year	13,489,332	13,887,345	(398,013)
<i>Total Liabilities</i>	<u>20,948,452</u>	<u>20,588,563</u>	<u>359,889</u>
Net Assets			
Invested in Capital Assets	14,020,082	9,841,282	4,178,800
Restricted	2,184,006	6,699,684	(4,515,678)
Unrestricted (Deficit)	726,661	27,995	698,666
<i>Total Net Assets</i>	<u>\$16,930,749</u>	<u>\$16,568,961</u>	<u>\$361,788</u>

Total assets increased by \$721,677 due to increases in capital assets. Cash and cash equivalents decreased by \$3,295,563; the decreased cash balance is due primarily to the majority of monies received from the Ohio Schools Facility Commission in the prior fiscal year for construction costs associated with building a new elementary school building. Since the School District has been using the cash reserve to finance current school year operations for the past several years, it has reduced spending for the purchase of technology equipment and instructional supplies. However, it is in compliance with the percentage expenditure requirements established by H.B. 412. Capital assets increased by \$4,072,629. The increase can be attributed mainly to the construction in progress on a new elementary school building.

Total liabilities increased by \$359,889 between fiscal years 2012 and 2011 due primarily to increased deferred revenue related to property taxes receivable. Two bond refundings also occurred during the year to refinance the School District's bonds sold in 2002. Both refundings resulted in a significant decrease in interest rates which equates to a savings to the taxpayers of the School District of about \$1.5 million over the life of the bonds, decreasing the amount of long-term liabilities.

The School District's expense per pupil has historically been one of the lowest in the State. The School District has always spent funds cautiously. Due to the unresolved funding issue of the State and the School District continually being required to implement unfunded State and Federal mandates, the School District is reliant upon additional property tax dollars to cover operating costs. The School District's voters passed a 7.5 mill renewal levy which was on the November, 2012 ballot. This renewal levy will generate approximately \$700,000 annually for the purpose of current operating expenses.

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The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$11,909,737 or 82 percent of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$2,663,657 or only 18 percent of total revenue.

Table 2 shows a comparative analysis of government-wide changes in net assets data for fiscal year 2012 compared to fiscal year 2011.

Table 2
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,562,921	\$1,422,541	\$140,380
Operating Grants and Contributions	1,100,736	1,539,473	(438,737)
<i>Total Program Revenues</i>	<u>2,663,657</u>	<u>2,962,014</u>	<u>(298,357)</u>
General Revenues:			
Property Taxes	5,232,944	5,656,877	(423,933)
Grants and Entitlements	6,643,690	6,940,643	(296,953)
Donations	4,396	0	4,396
Investments	10,487	16,342	(5,855)
Miscellaneous	18,220	34,281	(16,061)
<i>Total General Revenues</i>	<u>11,909,737</u>	<u>12,648,143</u>	<u>(738,406)</u>
<i>Total Revenues</i>	<u>14,573,394</u>	<u>15,610,157</u>	<u>(1,036,763)</u>
Program Expenses			
Instruction:			
Regular	5,568,451	6,168,958	600,507
Special	1,713,684	1,642,916	(70,768)
Vocational	148,591	186,196	37,605
Student Intervention Services	2,584	14,549	11,965
Support Services:			
Pupils	748,329	783,078	34,749
Instructional Staff	490,371	409,212	(81,159)
Board of Education	12,384	14,353	1,969
Administration	1,032,939	1,068,749	35,810
Fiscal	362,045	391,561	29,516
Business	41,794	45,051	3,257
Operation and Maintenance of Plant	1,126,602	1,090,067	(36,535)
Pupil Transportation	924,261	806,838	(117,423)
Central	32,597	36,834	4,237
Operation of Non-Instructional Services	520,128	475,839	(44,289)
Extracurricular Activities	998,026	718,202	(279,824)
Interest and Fiscal Charges	488,820	659,436	170,616
<i>Total Program Expenses</i>	<u>14,211,606</u>	<u>14,511,839</u>	<u>300,233</u>
Increase in Net Assets	361,788	1,098,318	(736,530)
<i>Net Assets Beginning of Year</i>	<u>16,568,961</u>	<u>15,470,643</u>	<u>1,098,318</u>
<i>Net Assets End of Year</i>	<u>\$16,930,749</u>	<u>\$16,568,961</u>	<u>\$361,788</u>

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Activities

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

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

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

Table 3
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Governmental Activities:				
Instruction:				
Regular	\$5,568,451	\$4,608,206	\$6,168,958	\$4,829,822
Special	1,713,684	1,139,772	1,642,916	1,175,268
Vocational	148,591	148,591	186,196	186,196
Student Intervention Services	2,584	2,584	14,549	14,549
Support Services:				
Pupils	748,329	748,329	783,078	783,078
Instructional Staff	490,371	489,094	409,212	309,632
Board of Education	12,384	12,384	14,353	14,353
Administration	1,032,939	1,032,939	1,068,749	1,063,749
Fiscal	362,045	362,045	391,561	391,561
Business	41,794	41,794	45,051	45,051
Operation and Maintenance of Plant	1,126,602	1,107,217	1,090,067	846,315
Pupil Transportation	924,261	924,261	806,838	806,838
Central	32,597	32,597	36,834	36,834
Operation of Non-Instructional Services	520,128	(42,914)	475,839	21,174
Extracurricular Activities	998,026	452,230	718,202	365,969
Interest and Fiscal Charges	488,820	488,820	659,436	659,436
Total	\$14,211,606	\$11,547,949	\$14,511,839	\$11,549,825

Tuslaw Local School District
Management's Discussion and Analysis
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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 37 percent of total costs are directly supported by local property taxes. Grant and entitlements support about 47 percent of total costs. Program revenues only account for 19 percent of all governmental expenses.

The School District's Funds

Information regarding the School District's major funds can be found on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling \$14,786,296 and expenditures totaling \$18,821,654. The general fund balance increased by \$437,662. The bond retirement fund balance increased by \$221,089 as it accumulates funds to pay for outstanding long-term general obligation debt. The new elementary capital projects fund balance decreased by \$4,369,214 due to the majority of the new elementary school building project revenues being received in prior years and spent in fiscal year 2012.

General Fund Budgeting Highlights

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

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

For the general fund, the original budget basis estimated revenues (at the time the full year's appropriation was first passed) and the final budget basis revenue estimate were relatively consistent. There was no change in the original budget basis expenditures and the final budget basis expenditures.

The School District's general fund unencumbered ending cash balance totaled \$2,317,427 which was more than the final budgeted amount of \$1,970,887 due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$26,845,290 invested in land, construction in progress, buildings and improvements, furniture and fixtures, and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2012 values compared to fiscal year 2011.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

	<i>Governmental Activities</i>	
	<i>2012</i>	<i>2011</i>
Construction in Progress	\$12,181,049	\$7,299,362
Land	463,538	463,538
Buildings and Improvements	19,203,887	19,706,089
Furniture and Fixtures	1,481,879	1,498,360
Vehicles	1,309,258	1,309,258
Accumulated Depreciation	(7,794,321)	(7,503,946)
<i>Totals</i>	<u>\$26,845,290</u>	<u>\$22,772,661</u>

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

Debt

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

Table 5
Outstanding Debt at Year End

	<i>Governmental Activities</i>	
	<i>2012</i>	<i>2011</i>
General Obligation Bonds:		
Serial and Term Bonds	11,740,000	\$11,955,010
Capital Appreciation Bonds	302,311	142,475
Accretion on Capital Appreciation Bonds	263,245	346,181
HB 264 Energy Conservation Bonds	782,077	833,894
<i>Totals</i>	<u>\$13,087,633</u>	<u>\$13,277,560</u>

During fiscal year 2003, the School District issued \$15,000,000 in bonds to build a new high school and renovate the middle school. The majority of these bonds were refunded during fiscal year 2012.

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

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The School District sold \$9,404,960 of refunding bonds on November 17, 2011. This transaction refinanced a portion of the School District's bonds that were originally sold in 2002. The new bonds have a final maturity of December 1, 2030 and carry an interest rate of 3.2 percent.

The School District sold \$2,549,158 of refunding bonds on December 14, 2011. This transaction refinanced some of the remaining portion of the School District's bonds that were originally sold in 2002 and were not already refunded by the issue sold in November 2011. The new bonds have a final maturity of December 1, 2018 and carry an interest rate of 1.49 percent.

The School District's overall debt margin is \$3,898,598 and the unvoted debt margin is \$185,811. For more information on debt refer to Note 15 of the basic financial statements.

School District Outlook

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

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

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

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

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

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provides for creating, retaining, or maintaining education jobs. Ohio received an estimated \$361 million from this program and the School District was allocated \$337,131 which was used in fiscal year 2012.

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

Contacting the School District's Financial Management

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

Tuslaw Local School District

Statement of Net Assets

June 30, 2012

	<i>Governmental Activities</i>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$4,853,504
Inventory Held for Resale	12,942
Accrued Interest Receivable	1,533
Intergovernmental Receivable	281,422
Taxes Receivable	5,672,156
Deferred Charges	212,354
Land	463,538
Construction in Progress	12,181,049
Depreciable Capital Assets, net	14,200,703
<i>Total Assets</i>	37,879,201
<i>Liabilities</i>	
Accounts Payable	76,018
Accrued Wages and Benefits	840,389
Contracts Payable	322,983
Intergovernmental Payable	393,984
Accrued Interest Payable	28,903
Matured Compensated Absences Payable	52,938
Deferred Revenue	5,109,205
Long-Term Liabilities:	
Due Within One Year	634,700
Due in More Than One Year	13,489,332
<i>Total Liabilities</i>	20,948,452
<i>Net Assets</i>	
Invested in Capital Assets, Net of Related Debt	14,020,082
Restricted for Debt Service	1,000,833
Restricted for Capital Outlay	501,595
Restricted for Other Purposes	681,578
Unrestricted	726,661
<i>Total Net Assets</i>	\$16,930,749

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	<i>Program Revenues</i>			<i>Net (Expenses) Revenue and Changes in Net Assets</i>
<i>Expenses</i>	<i>Charges for Services and Sales</i>	<i>Operating Grants and Contributions</i>		
<i>Governmental Activities</i>				
Instruction:				
Regular	\$5,568,451	\$822,338	\$137,907	(\$4,608,206)
Special	1,713,684	0	573,912	(1,139,772)
Vocational	148,591	0	0	(148,591)
Student Intervention Services	2,584	0	0	(2,584)
Support Services:				
Pupils	748,329	0	0	(748,329)
Instructional Staff	490,371	0	1,277	(489,094)
Board of Education	12,384	0	0	(12,384)
Administration	1,032,939	0	0	(1,032,939)
Fiscal	362,045	0	0	(362,045)
Business	41,794	0	0	(41,794)
Operation and Maintenance of Plant	1,126,602	19,385	0	(1,107,217)
Pupil Transportation	924,261	0	0	(924,261)
Central	32,597	0	0	(32,597)
Operation of Non-Instructional Services	520,128	346,549	216,493	42,914
Extracurricular Activities	998,026	374,649	171,147	(452,230)
Interest and Fiscal Charges	488,820	0	0	(488,820)
<i>Totals</i>	<u>\$14,211,606</u>	<u>\$1,562,921</u>	<u>\$1,100,736</u>	<u>(11,547,949)</u>

General Revenues

Property Taxes Levied for:

General Purposes	4,499,160
Debt Service	733,784
Gifts and Donations not Restricted to Specific Programs	4,396
Grants and Entitlements not Restricted to Specific Programs	6,643,690
Investment Earnings	10,487
Miscellaneous	18,220

Total General Revenues

11,909,737

Change in Net Assets

361,788

Net Assets Beginning of Year

16,568,961

Net Assets End of Year

\$16,930,749

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District

*Balance Sheet
Governmental Funds
June 30, 2012*

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>New Elementary Capital Project Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Assets</i>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$2,554,979	\$943,679	\$351,384	\$1,003,462	\$4,853,504
Inventory Held for Resale	0	0	0	12,942	12,942
Accrued Interest Receivable	1,533	0	0	0	1,533
Intergovernmental Receivable	0	0	0	281,422	281,422
Taxes Receivable	4,992,739	679,417	0	0	5,672,156
<i>Total Assets</i>	<u>\$7,549,251</u>	<u>\$1,623,096</u>	<u>\$351,384</u>	<u>\$1,297,826</u>	<u>\$10,821,557</u>
<i>Liabilities</i>					
<i>Current Liabilities:</i>					
Accounts Payable	\$54,257	\$0	\$0	\$21,761	\$76,018
Accrued Wages and Benefits	799,016	0	0	41,373	840,389
Contracts Payable	0	0	247,983	75,000	322,983
Intergovernmental Payable	344,498	0	0	49,486	393,984
Matured Compensated Absences Payable	52,938	0	0	0	52,938
Deferred Revenue	4,699,294	625,388	0	245,787	5,570,469
<i>Total Liabilities</i>	<u>5,950,003</u>	<u>625,388</u>	<u>247,983</u>	<u>433,407</u>	<u>7,256,781</u>
<i>Fund Balances</i>					
Nonspendable	0	0	0	12,942	12,942
Restricted	0	997,708	103,401	858,508	1,959,617
Assigned	188,896	0	0	0	188,896
Unassigned (Deficit)	1,410,352	0	0	(7,031)	1,403,321
<i>Total Fund Balances</i>	<u>1,599,248</u>	<u>997,708</u>	<u>103,401</u>	<u>864,419</u>	<u>3,564,776</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,549,251</u>	<u>\$1,623,096</u>	<u>\$351,384</u>	<u>\$1,297,826</u>	<u>\$10,821,557</u>

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, 2012*

Total Governmental Fund Balances		\$3,564,776
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,845,290
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	215,477	
Intergovernmental Receivables	245,787	
<i>Total</i>	461,264	461,264
In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(28,903)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in funds		212,354
Long-term liabilities, including bonds, compensated absences payable and capital leases, are not due and payable in the current period:		
General Obligation Bonds	(12,042,311)	
Premium on General Obligation Bonds	(719,946)	
Accounting Loss	506,772	
Capital Appreciation Bonds Accretion	(263,245)	
Energy Conservation Bonds	(782,077)	
Compensated Absences	(823,225)	
<i>Total</i>	(14,124,032)	(14,124,032)
Net Assets of Governmental Activities		\$16,930,749

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>New Elementary Capital Project Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
Property Taxes	\$4,472,327	\$729,220	\$0	\$0	\$5,201,547
Intergovernmental	6,407,994	126,151	271,313	1,011,886	7,817,344
Interest	9,595	0	710	421	10,726
Tuition and Fees	822,338	0	0	0	822,338
Rent	19,385	0	0	0	19,385
Extracurricular Activities	135,780	0	0	238,869	374,649
Gifts and Donations	4,396	0	0	171,142	175,538
Customer Sales and Services	43,144	0	0	303,405	346,549
Miscellaneous	17,855	0	0	365	18,220
Total Revenues	11,932,814	855,371	272,023	1,726,088	14,786,296
Expenditures					
Current:					
Instruction:					
Regular	5,047,170	0	0	380,716	5,427,886
Special	1,325,129	0	0	334,210	1,659,339
Vocational	143,926	0	0	0	143,926
Student Intervention Services	3,594	0	0	0	3,594
Support Services:					
Pupils	673,296	0	0	72,256	745,552
Instructional Staff	416,524	0	0	42,848	459,372
Board of Education	12,384	0	0	0	12,384
Administration	977,292	0	0	7,180	984,472
Fiscal	338,862	15,389	0	0	354,251
Business	41,794	0	0	0	41,794
Operation and Maintenance of Plant	991,473	0	0	104,758	1,096,231
Pupil Transportation	773,239	0	0	0	773,239
Central	32,597	0	0	0	32,597
Operation of Non-Instructional Services	36,677	0	0	452,265	488,942
Extracurricular Activities	521,083	0	0	415,604	936,687
Capital Outlay	0	0	4,641,237	109,682	4,750,919
Debt Service:					
Principal	51,817	54,282	0	0	106,099
Interest and Fiscal Charges	17,241	641,411	0	0	658,652
Capital Appreciation Bonds Interest	0	145,718	0	0	145,718
Total Expenditures	11,404,098	856,800	4,641,237	1,919,519	18,821,654
Excess of Revenues Over (Under) Expenditures	528,716	(1,429)	(4,369,214)	(193,431)	(4,035,358)
Other Financing Sources and Uses					
Transfers In	0	0	0	91,054	91,054
Refunding Bonds Issued	0	11,954,118	0	0	11,954,118
Premium on Refunding Bonds Issued	0	751,421	0	0	751,421
Transfers Out	(91,054)	0	0	0	(91,054)
Payment to Refunded Bond Escrow Agent	0	(12,483,021)	0	0	(12,483,021)
Total Other Financing Sources (Uses)	(91,054)	222,518	0	91,054	222,518
Net Change in Fund Balances	437,662	221,089	(4,369,214)	(102,377)	(3,812,840)
Fund Balances Beginning of Year	1,161,586	776,619	4,472,615	966,796	7,377,616
Fund Balances End of Year	\$1,599,248	\$997,708	\$103,401	\$864,419	\$3,564,776

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, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$3,812,840)

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

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

Capital Outlay	4,894,991	
Depreciation	(729,053)	
<i>Total</i>		4,165,938

Governmental funds only report the disposal of capital assets to the extent proceeds are received
from the sale. In the statement of activities, a gain or loss is reported for each disposal. (93,309)

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

Intergovernmental Receivables	(244,299)	
Delinquent Property Taxes	31,397	
<i>Total</i>		(212,902)

Other financing sources in the governmental funds, such as the issuance of bonds, increase
long-term liabilities in the statement of net assets.

Refunding Bonds Issued	(11,954,118)	
Premium on Refunding Bonds	(751,421)	
<i>Total</i>		(12,705,539)

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas
in governmental funds a bond issuance expenditure is reported when the bonds are issued. 222,518

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets. 12,734,838

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

Bond Accretion	(62,782)	
Amortization of Premium	31,475	
Amortization of Loss	(21,239)	
Amortization of Issuance Costs	(10,164)	
Accrued Interest	10,024	
<i>Total</i>		(52,686)

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

Compensated Absences		115,770
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Changes in Net Assets of Governmental Activities \$361,788

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
Revenues				
Property Taxes	\$4,228,787	\$4,228,787	\$4,842,879	\$614,092
Intergovernmental	7,107,741	7,082,741	6,407,994	(674,747)
Interest	10,333	10,333	9,308	(1,025)
Tuition and Fees	765,082	765,082	822,338	57,256
Rent	10,352	10,352	19,385	9,033
Extracurricular Activities	22	22	0	(22)
Gifts and Donations	0	0	301	301
Miscellaneous	25,965	25,965	28,647	2,682
Total Revenues	12,148,282	12,123,282	12,130,852	7,570
Expenditures				
Current:				
Instruction:				
Regular	5,336,752	5,330,674	4,948,306	382,368
Special	1,334,438	1,334,438	1,334,438	0
Vocational	161,702	161,702	161,702	0
Student Intervention Services	6,386	6,386	5,286	1,100
Support Services:				
Pupils	652,418	652,418	652,418	0
Instructional Staff	390,929	390,929	390,929	0
Board of Education	12,572	12,572	12,572	0
Administration	982,714	982,714	982,714	0
Fiscal	354,926	361,004	361,004	0
Business	41,794	41,794	41,794	0
Operation and Maintenance of Plant	992,208	992,208	992,208	0
Pupil Transportation	786,490	786,490	786,490	0
Central	32,619	32,619	32,619	0
Extracurricular Activities	405,083	405,083	405,083	0
Debt Service:				
Principal	56,257	51,817	51,817	0
Interest and Fiscal Charges	12,801	17,241	17,241	0
Total Expenditures	11,560,089	11,560,089	11,176,621	383,468
Excess of Revenues Over Expenditures	588,193	563,193	954,231	391,038
Other Financing Uses				
Transfers Out	(46,556)	(46,556)	(91,054)	(44,498)
Net Change in Fund Balance	541,637	516,637	863,177	346,540
Fund Balance Beginning of Year	1,347,837	1,347,837	1,347,837	0
Prior Year Encumbrances Appropriated	106,413	106,413	106,413	0
Fund Balance End of Year	\$1,995,887	\$1,970,887	\$2,317,427	\$346,540

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<i>Private Purpose</i>	
	<u><i>Trust</i></u>	<u><i>Agency</i></u>
<i>Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$28,771	\$44,713
<i>Total Assets</i>	<u>\$28,771</u>	<u>\$44,713</u>
 <i>Liabilities</i>		
Current Liabilities:		
Accounts Payable	\$300	\$0
Undistributed Monies	0	11,338
Due to Students	0	33,375
<i>Total Liabilities</i>	<u>\$300</u>	<u>\$44,713</u>
 <i>Net Assets</i>		
Held in Trust for Scholarships	<u>\$28,471</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, 2012

	<i>Private Purpose Trust</i>
<i>Additions</i>	
Gifts and Contributions	\$9,310
Interest	20
<i>Total Additions</i>	9,330
 <i>Deductions</i>	
Payments in Accordance with Trust Agreements	10,736
 <i>Increase in Fiduciary Net Assets</i>	 (1,406)
 <i>Net Assets Beginning of Year</i>	 29,877
 <i>Net Assets End of Year</i>	 \$28,471

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

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

The School District serves an area of approximately forty-four square miles. It is located in Stark and Wayne Counties and includes portions of Lawrence, Tuscarawas, and Perry Townships, and the City of Massillon. It is staffed by sixty-three classified employees, eighty three certified teaching personnel, and nine administrative employees who provide services to 1,485 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

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

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

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

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

C. Measurement Focus

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

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

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2012.

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 2012, investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$9,595 which includes \$3,949 assigned from other School District funds.

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

G. Inventory

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

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

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

L. Fund Balance

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

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance (continued)

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

M. Interfund Activity

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

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

N. Interfund Balances

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

O. Estimates

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Extraordinary and Special Items

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

Note 3 – Change in Accounting Principles

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination.” GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Budgetary revenues and expenditures of the latchkey and public school support funds are reclassified to the general fund for GAAP reporting.

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>	\$437,662
Net Adjustment for Revenue Accruals	11,019
Net Adjustment for Expenditure Accruals	595,793
Perspective Differences:	
Latchkey	8,291
Public School Support	(4,073)
Adjustment for Encumbrances	(185,515)
<i>Budget Basis</i>	\$863,177

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 5 – Fund Balances

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

Fund Balances	General Fund	Bond Retirement Fund	New Elementary Capital Project Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$0	\$0	\$0	\$12,942	\$12,942
<i>Restricted for</i>					
Food Service	0	0	0	273,900	273,900
Student Activities	0	0	0	89,892	89,892
Debt Service	0	997,708	0	0	997,708
Classroom Facilities	0	0	103,401	78,924	182,325
Other Purposes	0	0	0	415,792	415,792
<i>Total Restricted</i>	0	997,708	103,401	858,508	1,959,617
<i>Assigned to</i>					
Other Purposes	188,896	0	0	0	188,896
<i>Unassigned (Deficit)</i>					
	1,410,352	0	0	(7,031)	1,403,321
<i>Total Fund Balances</i>	\$1,599,248	\$997,708	\$103,401	\$864,419	\$3,564,776

Note 6 – Deposits and Investments

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

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 6 – Deposits and Investments (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$0 of the School District's bank balance of \$2,118,202 was uninsured and uncollateralized.

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

Investments As of June 30, 2012, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$2,865,439 has an average maturity of 52.5 days.

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding and real property and public utility property taxes which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$293,445 in the general fund and \$54,029 in the debt service fund. The amount available as an advance at June 30, 2011 was \$663,997 in the general fund and \$120,787 in the debt service fund. The difference was in timing and collection by the County Auditors. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 7 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<i>2012 First Half Collections</i>		<i>2011 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$175,523,770	94.6%	\$172,255,160	94.59%
Public Utility Personal	10,058,290	5.4	9,853,160	5.41
	\$185,582,060	100.00%	\$182,108,320	100.00%
Tax Rate per \$1,000 of assessed valuation	\$66.90		\$65.50	

Note 8 - Receivables

Receivables at June 30, 2012 consisted of property taxes, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables other than delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
Nutrition Cluster	\$24,878
Title VI-B	49,499
Title I	133,130
Race to the Top	19,030
Technology	1,277
Title II-A	53,608
<i>Total Intergovernmental Receivables</i>	\$281,422

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<i>Balance 6/30/11</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance 6/30/12</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Construction in Progress	\$7,299,362	\$4,881,687	0	\$12,181,049
Land	463,538	0	0	463,538
<i>Total Capital Assets, not being depreciated</i>	<u>7,762,900</u>	<u>4,881,687</u>	<u>0</u>	<u>12,644,587</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	19,706,089	0	(502,202)	19,203,887
Furniture and Fixtures	1,498,360	13,304	(29,785)	1,481,879
Vehicles	1,309,258	0	0	1,309,258
<i>Total Capital Assets, being depreciated</i>	<u>22,513,707</u>	<u>13,304</u>	<u>(531,987)</u>	<u>21,995,024</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,836,541)	(600,840)	412,134	(6,025,247)
Furniture and Fixtures	(838,842)	(77,475)	26,544	(889,773)
Vehicles	(828,563)	(50,738)	0	(879,301)
<i>Total Accumulated Depreciation</i>	<u>(7,503,946)</u>	<u>(729,053)*</u>	<u>438,678</u>	<u>(7,794,321)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>15,009,761</u>	<u>(715,749)</u>	<u>(93,309)</u>	<u>14,200,703</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$22,772,661</u>	<u>\$4,165,938</u>	<u>(93,309)</u>	<u>\$26,845,290</u>

*Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$245,200
Special	63,639
Vocational	4,965
<i>Support Services:</i>	
Pupils	37,612
Instructional Staff	32,539
Administration	48,729
Fiscal	11,190
Operation and Maintenance of Plant	40,681
Pupil Transportation	149,595
Extracurricular Activities	62,670
Food Service	32,233
<i>Total Depreciation Expense</i>	<u>\$729,053</u>

Note 10 - Interfund Transfers

In accordance with ORC Section 3318.051(B) and Ohio School Facility Commission requirements, a transfer was made of \$91,054 from the General fund to the OSFC Facility Maintenance fund.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the School District contracted with Leonard Insurance Services for property and fleet coverage and Hylant Administrative Services, LLC through the Ohio School Plan for liability coverage. There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the past three years. Coverage type, limits and deductibles are as follows:

<i>Type of Coverage</i>	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$48,223,665	\$5,000
Inland Marine Coverage	Various	500
Automobile Liability	1,000,000	500
Uninsured Motorists	50,000	0
Medical Payments	5,000	0
Crime – Emp Dishonesty	50,000	1,000
General Liability:		
Per Occurrence	4,000,000	0
Aggregate	6,000,000	0
Umbrella	3,000,000	0

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

The School District has contracted with the Stark County Schools Council of Government’s Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,515.13 for family coverage and \$622.31 for single coverage per employee per month.

Note 12 - Employee Benefits

A. Compensated Absences

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 12 - Employee Benefits (Continued)

B. Life Insurance

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

Note 13 - Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$215,979, \$187,561 and \$210,978, respectively. For fiscal year 2012, 45.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 13 - Pension Plans (Continued)

B. State Teachers Retirement System (continued)

employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$712,751 for the fiscal year ended June 30, 2012, \$660,715 for the fiscal year ended June 30, 2011, and \$673,713 for the fiscal year ended June 30, 2010. For fiscal year 2012, 80.93 percent has been contributed for the DB plan and 80.93 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$5,566 made by the School District and \$3,976 made by the plan members. In addition, member contributions of \$4,570 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 14 - Postemployment Benefits (Continued)

A. School Employees Retirement System (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$23,784 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$33,137, \$52,186, and \$40,611, respectively. For fiscal year 2012, 45.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$12,755, \$12,070, and \$12,546, respectively. For fiscal year 2012, 45.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$54,827, \$50,824, and \$51,824, respectively. For fiscal year 2012, 80.93 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts</i>
	<i>6/30/11</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/12</i>	<i>Due</i>
					<i>In One Year</i>
<i>Compensated Absences</i>	<u>\$938,995</u>	<u>\$50,946</u>	<u>(\$166,716)</u>	<u>\$823,225</u>	<u>\$86,789</u>
<i>HB 264 Qualified School Construction Bonds:</i>					
\$878,000 6.15% Energy Conservation Bonds	<u>833,894</u>	<u>0</u>	<u>(51,817)</u>	<u>782,077</u>	<u>52,911</u>
<i>2002 OSFC High School Bonds:</i>					
\$14,715,000, 2.00-5.00% Serial/Term Bonds	11,955,010	0	(11,955,010)	0	0
\$284,990, 14.852% Capital Appreciation Bonds	142,475	0	(54,282)	88,193	88,193
Accretion on Capital Appreciation Bonds	346,181	36,289	(145,718)	236,752	286,807
<i>Total 2002 OSFC Bonds</i>	<u>12,443,666</u>	<u>36,289</u>	<u>(12,155,010)</u>	<u>324,945</u>	<u>375,000</u>
<i>2011 OSFC High School Bonds (#1 Refunding):</i>					
\$9,235,000, 3.2% Serial Bonds	0	9,235,000	0	9,235,000	85,000
\$169,960, 21.15% Capital Appreciation Bonds	0	169,960	0	169,960	0
Accretion on Capital Appreciation Bonds	0	21,334	0	21,334	0
Premium	0	590,211	(18,041)	572,170	0
Accounting Loss	0	(431,375)	13,186	(418,189)	0
<i>Total 2011 OSFC Bonds</i>	<u>0</u>	<u>9,585,130</u>	<u>(4,855)</u>	<u>9,580,275</u>	<u>85,000</u>
<i>2012 OSFC High School Bonds (#2 Refunding):</i>					
\$2,505,000, 1.49% Serial Bonds	0	2,505,000	0	2,505,000	35,000
\$44,158, 19.7% Capital Appreciation Bonds	0	44,158	0	44,158	0
Accretion on Capital Appreciation Bonds	0	5,159	0	5,159	0
Premium	0	161,210	(13,434)	147,776	0
Accounting Loss	0	(96,636)	8,053	(88,583)	0
<i>Total 2012 OSFC Bonds</i>	<u>0</u>	<u>2,618,891</u>	<u>(5,381)</u>	<u>2,613,510</u>	<u>35,000</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$14,216,555</u>	<u>\$12,291,256</u>	<u>(\$12,383,779)</u>	<u>\$14,124,032</u>	<u>\$634,700</u>

Compensated absences payments are paid from the general fund.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

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 year period with a final maturity at December 2, 2030. The bond issue consists of serial, term and capital appreciation bonds. Accretion in the amount of \$36,289 was added and represents the annual accretion of discounted interest for the capital appreciation bonds. At maturity, the final amount of the outstanding capital appreciation bonds will be \$575,000. The principal and interest requirements will be recorded in the debt service fund.

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

On November 17, 2011, the School District issued \$9,404,960 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$9,235,000 and \$169,960, respectively. The bonds were issued for a nineteen year period with a final maturity at December 1, 2030. The final maturity amount of outstanding capital appreciation bonds at June 30, 2012, is \$895,000. The accretion recorded for 2012 was \$21,334, for a total outstanding bond liability of \$191,294.

The bonds were sold at a premium of \$590,211. Net proceeds of \$9,836,375 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2012, \$9,405,000 of the defeased bonds are still outstanding.

The School District decreased its total debt service payments by \$1,343,801 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$1,016,807.

On December 14, 2011, the School District issued \$2,549,158 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$2,505,000 and \$44,158, respectively. The bonds were issued for a seven year period with a final maturity at December 1, 2018. The final maturity amount of outstanding capital appreciation bonds at June 30, 2012, is \$150,000. The accretion recorded for 2012 was \$5,159, for a total outstanding bond liability of \$49,317.

The bonds were sold at a premium of \$161,210. Net proceeds of \$2,646,646 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2012, \$2,550,010 of the defeased bonds are still outstanding.

The School District decreased its total debt service payments by \$122,177 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$117,403.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 15 - Long-Term Obligations (Continued)

An analysis of the refunding issues follows:

	Ohio School Facilities Commission Bonds
Outstanding at June 30, 2011	\$12,097,485
Amount Refunded	(11,955,010)
Principal Payment	(54,282)
Outstanding Principal at June 30, 2012	\$88,193

The School District's overall debt margin is \$3,898,598 and the unvoted debt margin is \$185,811.

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

<i>Refunding OSFC Bonds</i>				
<i>Fiscal Year</i>	<i>Serial and Term Bonds</i>		<i>Capital Appreciation Bonds</i>	
<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
<i>2013</i>	\$120,000	\$332,300	\$88,193	\$286,807
<i>2014</i>	575,000	325,350	0	0
<i>2015</i>	585,000	313,750	0	0
<i>2016</i>	600,000	301,900	0	0
<i>2017</i>	615,000	289,750	0	0
<i>2018-2022</i>	2,155,000	1,306,206	214,118	830,882
<i>2023-2027</i>	3,690,000	893,981	0	0
<i>2028-2031</i>	3,400,000	243,250	0	0
<i>Total</i>	\$11,740,000	\$4,006,487	\$302,311	\$1,117,689

<i>2011 Energy Conservation Bonds</i>		
<i>Fiscal Year</i>		
<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
<i>2013</i>	\$52,911	\$16,147
<i>2014</i>	54,028	15,030
<i>2015</i>	55,168	13,890
<i>2016</i>	56,333	12,725
<i>2017</i>	57,522	11,536
<i>2018-2022</i>	306,346	38,944
<i>2023-2025</i>	199,769	7,405
<i>Total</i>	\$782,077	\$115,677

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 16 - Jointly Governed Organizations

A. Stark Portage Area Computer Consortium

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts. During fiscal year 2012, the School District paid \$66,535 to SPARCC for services rendered.

B. Stark County Area Joint Vocational School

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

Note 17 - Public Entity Risk Pools

A. Stark County Schools Council of Government

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

B. Ohio School Plan

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 18 – Contingencies

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Note 19 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements.

The following cash basis information describes the set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	<i>Capital Acquisition</i>
<i>Set-Aside Reserve Balance as of June 30, 2011</i>	\$0
Current Year Set-Aside Requirement	256,506
Qualifying Disbursements	(4,979,804)
<i>Total</i>	(\$4,723,298)
<i>Set-Aside Balance Carried Forward to Future Years</i>	\$0
<i>Set-Aside Reserve Balance as of June 30, 2012</i>	\$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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2012

Note 20 – Contractual Commitments

During fiscal year 2010, the School District was approved by the Ohio School Facilities Commission (OSFC) to build a new elementary building under the classroom facilities assistance program. As of June 30, 2012, the School District had remaining contractual commitments for the project as follows:

<u>Project/Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment</u>
Brewer-Garrett Co.	\$ 34,412	\$ 17,980	\$ 16,432
Continental Office	324,653	313,924	10,729
Knoch Corporation	5,226,280	5,121,330	104,950
MKC Associates	685,109	664,163	20,946
Scaparotti Construction	842,054	628,349	213,705
Superior Paving	314,758	304,824	9,934
Wood Electric	1,438,138	1,416,989	21,149

Note 21 – Subsequent Event

On November 6, 2012, voters approved a 7.5 mill renewal property tax levy to provide for the operations of the School District.

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<i>Federal Grantor/Pass Through Grantor Program Title</i>	<i>Federal CFDA Number</i>	<i>Receipts</i>	<i>Non-Cash Receipts</i>	<i>Expenditures</i>	<i>Non-Cash Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed through the Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$53,455		\$53,455
Cash Assistance:					
National School Breakfast Program	10.553	19,538		19,538	
National School Lunch Program	10.555	176,141		176,141	
<i>Total Child Nutrition Cluster</i>		<u>195,679</u>	<u>53,455</u>	<u>195,679</u>	<u>53,455</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster		<u>195,679</u>	<u>53,455</u>	<u>195,679</u>	<u>53,455</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through the Ohio Department of Education:</i>					
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027	8,723		28,497	
		<u>228,042</u>		<u>200,897</u>	
<i>Total Special Education Cluster</i>		<u>236,765</u>		<u>229,394</u>	
Title I, Part A Cluster:					
ARRA - Title I Grants to Local Educational Agencies	84.389	328			
Title I Grants to Local Educational Agencies	84.010	24,702		21,302	
		<u>118,818</u>		<u>146,686</u>	
<i>Total Title I, Part A Cluster</i>		<u>143,848</u>		<u>167,988</u>	
Improving Teacher Quality State Grants	84.367			264	
		<u>45,470</u>		<u>38,982</u>	
<i>Total Improving Teacher Quality State Grants</i>		<u>45,470</u>		<u>39,246</u>	
School Improvement Subsidy G	84.377			7,973	
ARRA - Fiscal Stabilization Fund (SFSP)	84.394			18,399	
ARRA - Race to the Top	84.395	25,304		16,366	
Education Jobs Fund	84.410	337,131		337,131	
Education Technology State Grant	84.318	114		61	
Total U.S. Department of Education		<u>788,632</u>		<u>816,558</u>	
Total Federal Assistance		<u>\$984,311</u>	<u>\$53,455</u>	<u>\$1,012,237</u>	<u>\$53,455</u>

The accompanying notes are an intergral part of this schedule.

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 7, 2012.

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

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

Dave Yost
Auditor of State

December 7, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tuslaw Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Tuslaw Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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

Dave Yost
Auditor of State

December 7, 2012

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Jobs Fund – CFDA #84.410
<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

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Dave Yost • Auditor of State

TUSLAW LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2012**