

TALLMADGE CITY SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Tallmadge City School District, Summit County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 21, 2013

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**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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

INDEPENDENT AUDITORS' REPORT

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2012, on our consideration of Tallmadge City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered 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. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 of the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the 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 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. The 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 10, 2012

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

This discussion and analysis of Tallmadge City School District's financials provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; for more detail on the financial status of the District the reader is encouraged to look at the financial statements along with the 5-year projections along with accompanying notes.

Financial Highlights

Key financial highlights for 2012 are as follows:

- General revenues accounted for \$26,478,085 in revenue or 89 percent of all operating revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,404,180 or 11 percent of total operating revenues of \$29,882,265.
- The District had \$30,910,393 in expenses related to governmental activities; only \$3,404,180 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$26,478,085 were not adequate to provide for these programs.

Using this Annual Financial Report

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

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the District to provide for programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities — Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on **page 9**. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

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

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2012 compared to 2011:

	Table 1	
	Net Assets	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$24,244,121	\$25,297,409
Capital assets, net of depreciation	<u>37,415,375</u>	<u>38,085,665</u>
Total Assets	<u>61,659,496</u>	<u>63,383,074</u>
Liabilities		
Current and other liabilities	18,641,038	18,752,022
Long-term liabilities:		
Due within one year	1,033,793	1,897,581
Due in more than one year	<u>27,917,568</u>	<u>27,638,246</u>
Total Liabilities	<u>47,592,399</u>	<u>48,287,849</u>
Net Assets		
Invested in capital assets, net of debt	11,290,953	11,181,774
Restricted	2,407,371	3,027,397
Unrestricted	<u>368,773</u>	<u>886,054</u>
Total Net Assets	<u>\$14,067,097</u>	<u>\$15,095,225</u>

Total net assets decreased \$1,028,128. Revenues decreased and expenses increased, creating an overall decrease in net assets.

Current assets decreased from \$25,297,409 in 2011 to \$24,244,121 in 2012. The major reason for this decrease is less taxes receivable.

Liabilities decreased by \$695,450. This decrease for 2012 is due primarily to less accrued wages and benefits. Also affecting this number is less long-term debt outstanding.

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

Table 2 shows a comparison of net assets for fiscal year 2012 to fiscal 2011.

Table 2
Governmental Activities

	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$1,598,382	\$1,781,700
Operating grants, contributions and interest	1,455,580	2,159,927
Capital grants and contributions	350,218	91,216
Total Program Revenues	<u>3,404,180</u>	<u>4,032,843</u>
General Revenues:		
Property taxes	15,668,558	16,238,129
Grants and entitlements	10,727,296	11,320,516
Investment earnings	7,649	12,735
Miscellaneous	74,582	38,278
Total General Revenues	<u>26,478,085</u>	<u>27,609,658</u>
Program Expenses		
Instruction:		
Regular	14,760,941	13,290,911
Special	2,858,271	3,280,354
Vocational	777,865	932,136
Adult/continuing	113,079	54,163
Support services:		
Pupil	1,437,623	1,618,285
Instructional staff	632,718	819,148
Board of education	35,849	45,052
Administration	1,861,450	2,108,965
Fiscal	860,372	811,808
Business	135,970	100,971
Operation and maintenance of plant	1,953,199	2,138,267
Pupil transportation	1,973,491	1,830,945
Central	515,216	604,696
Operation non-instructional services	776,014	763,709
Extracurricular activities	1,009,055	1,034,212
Interest and fiscal charges	1,209,280	1,234,394
Total Program Expenses	<u>30,910,393</u>	<u>30,668,016</u>
Change in Net Assets	(1,028,128)	974,485
Net Assets Beginning of Year	<u>15,095,225</u>	<u>14,120,740</u>
Net Assets End of Year	<u>\$14,067,097</u>	<u>\$15,095,225</u>

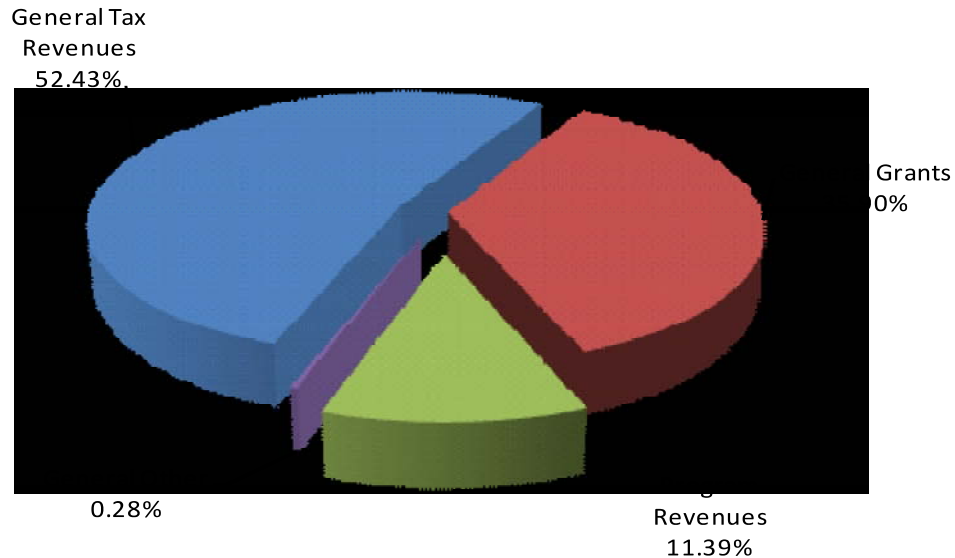
During FY2012, property tax revenues decreased by \$569,571. The primary reason for this decrease is due to a lower estimated property tax receivable.

Tallmadge City School District
Management's Discussion and Analysis
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Total expenses increased from \$30,668,016 in 2011 to \$30,910,393 in 2012. The increase is due to the increase in the salary cost for employees, specifically in the governmental programs mentioned above.

Governmental Activities

Tallmadge City School District depends on both property taxes and State funding. All of the operating tax levies of the District are continuing except for the levy passed in May 2001 and the recent 5 year 6.9 mill emergency levy passed in November 2009. The May 2001 levy was renewed in 2006 & 2011 and generates annual revenues of approximately \$2.83 million. The newest levy passed in November 2009 will generate \$2.86 million per year.



The District's reliance upon tax revenues is demonstrated by the graph above that indicates 52.43% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$26.4 million dollars of support as well as the graph indicating general revenues comprise 88.61% of total revenues.

The community has been very supportive of the Tallmadge City School District by a history of voter approval of operating levies, most recently approving a 6.9 mill emergency levy in November 2009 (mentioned above) in very challenging economic times. Collection for this new levy began in 2010 and accounts for 19.5% of revenue. The levy initially passed in May 2001 also accounts for 19.5% of the total voted general tax revenue for the District.

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

Instruction comprises 59.88% of governmental program expenses. Historically, the District has promoted excellence in educational programs by the allocation of resources in all instructional areas.

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

Table 3
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program Expenses				
Instruction:				
Regular	\$14,760,941	\$14,239,454	\$13,290,911	\$12,454,530
Special	2,858,271	2,407,973	3,280,354	2,683,381
Vocational	777,865	768,130	932,136	907,969
Adult/continuing	113,079	46,778	54,163	9,705
Support services:				
Pupils	1,437,623	1,080,634	1,618,285	1,306,330
Instructional staff	632,718	472,868	819,148	599,151
Board of education	35,849	35,381	45,052	43,844
Administration	1,861,450	1,688,353	2,108,965	1,787,179
Fiscal	860,372	567,499	811,808	773,242
Business	135,970	134,207	100,971	98,280
Operation and maintenance of plant	1,953,199	1,906,115	2,138,267	1,564,727
Pupil transportation	1,973,491	1,826,728	1,830,945	1,663,701
Central	515,216	179,046	604,696	498,060
Operation non-instructional services	776,014	142,399	763,709	174,429
Extracurricular activities	1,009,055	801,368	1,034,212	836,251
Interest and fiscal charges	1,209,280	1,209,280	1,234,394	1,234,394
Total Expenses	\$30,910,393	\$27,506,213	\$30,668,016	\$26,635,173

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

School District's Fund

The District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$29,823,075 and total expenditures were \$30,954,569. The District was on the ballot in November 2009 successfully passing a 6.9 mill emergency levy. This emergency levy generates \$2.86 million per year.

General Fund Budgeting Highlights

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

During fiscal year 2012, the District from time to time amended its general fund budget with minor modifications. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budget basis revenue estimate was \$25,069,943. The final actual revenue was \$25,113,952 which is \$44,009 higher than the original estimate.

The District's net change in general fund balance was a decrease of \$639,579. This decrease in FY12 was due in large part to the separation incentive that was offered to the certified staff. The District offered a program thru EPC (Educators Preferred Corp) whereas the staff member could elect to take a lump sum and either retire or simply resign if they had at least 10 years of teaching experience with Tallmadge City Schools. There were 14 teachers who took advantage of the offer and retired. This created a liability that the District could have paid off over a 3 year period, but decided to pay off in FY2012. The savings of either not replacing these 14 staff, or replacing them with lesser salaried staff will be significant and ongoing in future years, but for FY12 the payoff was substantial.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$37,415,375 invested in land, buildings and improvements, furniture, fixtures, and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

Table 4
Capital Assets, at Fiscal Year End
2012
(Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	\$3,354,650	\$3,354,650
Buildings and Improvements	33,060,859	33,717,567
Furniture, Fixtures, and Equipment	746,980	620,054
Vehicles	252,886	393,394
 Total Capital Assets	 \$37,415,375	 \$38,085,665

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

Debt

At June 30, 2012 the School District had \$25,605,000 of its bonds, (\$29,640,000) which were sold on April 26, 2006 outstanding. Principal due on the bonds within one year totals \$755,000. Table 5 summarizes the bonds and notes outstanding.

Table 5
Outstanding Debt, at Fiscal Year End
2012

	Governmental	Governmental
	Activities	Activities
	2012	2011
2005 Bond Issue - HS Building Project	\$25,605,000	\$26,335,000

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

The HS Building Project Bonds were issued April of 2006 due to the passage of the Bond Issue Levy on November 2, 2004. The levy was a 4.69 mill \$30,500,000 issue. The total bond indebtedness resulted in \$30,190,000 due to bonds being sold at a premium and generating enough funding to retire the notes. The effective millage for the bond issue, due to the last reappraisal reduction in property value is now 5.30 mills.

At June 30, 2012, the District's overall legal debt limitation was \$33,790,814, based on nine percent of the taxable valuation, with an unvoted debt margin of \$375,453. The District's current rating as issued by Standard & Poor's is AAA (Insured) with a recently upgraded AA- (Underlying) rating. See **Note 13** to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

With the passage of the November 2009, 6.9 mill five year emergency levy and the 2nd renewal in November 2011 of the levy originally passed in 2001, the District is experiencing financial stability. The new 2009 emergency levy combined with prior taxpayer initiatives, is providing the necessary funds for the District to manage its educational program and facilities. The District also renewed its 1.25 mill permanent improvement levy in May 2011 for another five years. The five year forecast shows that the District should have a positive balance at the end of FY17 with the first year that expenditures exceed revenue being FY15. Moving forward with the current operating levies will provide adequate funding for the District to continue to operate at a level in hopes of maintaining the Excellent rating that the District has experienced since 2006.

The current state funding issue is of great concern to all school districts in the state. Tallmadge has seen steady reductions of state funding to the point where we are at a level consistent with FY03. Governor Kasich has committed to revise the formula and methodology for funding of schools. That formula is being worked on as of this writing, and is due out sometime in the spring of 2013. How that will effect Tallmadge City Schools has yet to be determined. In addition, one of the big questions is what the state will do with the reimbursement of personal tangible property tax. The current states budget has reduced the reimbursement in FY12 & FY13 but doesn't address it beyond this year. It was originally scheduled to be completely phased out by FY16, but there has been some discussion to leave it at current levels. This decision would be quite significant to the District as we are currently receiving \$1.2 million in personal tangible reimbursement in FY13. Again, we will know much more in the spring of 2013 on what the state's new formula looks like and what the decision is on this reimbursement.

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

The District initiated a strategic planning program involving many of the community members in order to develop short and long term goals for the District. This group took a look at every aspect of the school district including facility needs for the future of our students. This strategic plan was completed and adopted by the Board in 2011. Also, as part of this strategic plan was to take a look at the facilities master plan that was developed with the Ohio School Facilities Commission back in 2004. The result of that evaluation was to amend the master plan to replace phase 2 with the construction of a new K-5 elementary building. The Board and the OSFC adopted the revised master plan and the Board placed a bond issue on the November 2012 ballot to build the K-5 elementary. That bond issue subsequently failed. The Board will have to determine as to what the next steps should be in attempting to complete the master plan. The District is eligible to receive 22% of State revenue for the purpose of facilities construction when we become eligible. At current estimates that will be in 2015. The construction of the new high school was the first phase of that master plan.

Contacting the School District's Financial Management

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

Tallmadge City School District
Summit County, Ohio
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,236,999
Cash in Segregated Accounts	12,338
Receivables:	
Intergovernmental	60,459
Taxes	17,925,924
Inventory Held for Resale	8,401
Non-Depreciable Capital Assets	3,354,650
Depreciable Capital Assets, Net	<u>34,060,725</u>
<i>Total Assets</i>	<u>61,659,496</u>
Liabilities	
Current Liabilities:	
Accounts Payable	498,358
Accrued Wages and Benefits	1,914,507
Intergovernmental Payable	638,193
Matured Compensated Absences Payable	71,116
Unearned Revenue	15,518,864
Long-Term Liabilities:	
Due Within One Year	1,033,793
Due In More Than One Year	<u>27,917,568</u>
<i>Total Liabilities</i>	<u>47,592,399</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,290,953
Restricted for:	
Debt Service	667,090
Capital Projects	1,636,415
Other Purposes	103,866
Unrestricted	<u>368,773</u>
<i>Total Net Assets</i>	<u><u>\$14,067,097</u></u>

See Accompanying Notes to the Basic Financial Statements

Tallmadge City School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$14,760,941	\$306,042	\$198,339	\$17,106	(\$14,239,454)
Special	2,858,271	31,860	418,438	0	(2,407,973)
Vocational	777,865	9,735	0	0	(768,130)
Adult/Continuing	113,079	7,225	59,076	0	(46,778)
Support Services:					
Pupils	1,437,623	38,981	318,008	0	(1,080,634)
Instructional Staff	632,718	9,400	150,450	0	(472,868)
Board of Education	35,849	468	0	0	(35,381)
Administration	1,861,450	102,618	19,523	50,956	(1,688,353)
Fiscal	860,372	10,717	0	282,156	(567,499)
Business	135,970	1,763	0	0	(134,207)
Operation and Maintenance of Plant	1,953,199	31,281	15,803	0	(1,906,115)
Pupil Transportation	1,973,491	146,763	0	0	(1,826,728)
Central	515,216	336,170	0	0	(179,046)
Operation of Non-Instructional Services	776,014	376,106	257,509	0	(142,399)
Extracurricular Activities	1,009,055	189,253	18,434	0	(801,368)
Interest and Fiscal Charges	1,209,280	0	0	0	(1,209,280)
<i>Totals</i>	<u>30,910,393</u>	<u>1,598,382</u>	<u>1,455,580</u>	<u>350,218</u>	<u>(27,506,213)</u>

General Revenues:

Property Taxes Levied for:	
General Purposes	13,682,226
Capital Projects	313,559
Debt Service	1,672,773
Grants and Entitlements not Restricted to Specific Programs	10,727,296
Investment Earnings	7,649
Miscellaneous	74,582
<i>Total General Revenues</i>	<u>26,478,085</u>
Change in Net Assets	(1,028,128)
<i>Net Assets Beginning of Year</i>	<u>15,095,225</u>
<i>Net Assets End of Year</i>	<u>\$14,067,097</u>

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,723,731	\$2,440,794	\$6,164,525
Cash and Cash Equivalents in Segregated Accounts	12,338	0	12,338
Receivables:			
Intergovernmental	0	60,459	60,459
Taxes	15,771,938	2,153,986	17,925,924
Interfund	333,147	0	333,147
Inventory Held For Resale	0	8,401	8,401
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	72,474	0	72,474
<i>Total Assets</i>	<u>\$19,913,628</u>	<u>\$4,663,640</u>	<u>\$24,577,268</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$476,601	\$21,757	\$498,358
Accrued Wages and Benefits	1,799,279	115,228	1,914,507
Interfund Payable	0	333,147	333,147
Intergovernmental Payable	589,949	48,244	638,193
Matured Compensated Absences Payable	71,116	0	71,116
Deferred Revenue	660,822	108,386	769,208
Unearned Revenue	13,641,737	1,877,127	15,518,864
<i>Total Liabilities</i>	<u>17,239,504</u>	<u>2,503,889</u>	<u>19,743,393</u>
Fund Balances			
Nonspendable			
Inventory	0	8,401	8,401
Restricted			
Capital Improvements	0	1,654,896	1,654,896
Debt Service	0	598,980	598,980
District Managed Activities	0	78,415	78,415
Miscellaneous Grants	0	14,086	14,086
Other Purposes	72,474	0	72,474
Scholarships	0	149,562	149,562
State Stabilization	0	77,159	77,159
Vocational Education	0	5,463	5,463
Committed			
Underground Storage Tank	19,179	0	19,179
Assigned			
Supplies	13,159	0	13,159
Public School Support	106,896	0	106,896
Other Purposes	184,105	0	184,105
Unassigned	2,278,311	(427,211)	1,851,100
<i>Total Fund Balances</i>	<u>2,674,124</u>	<u>2,159,751</u>	<u>4,833,875</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$19,913,628</u>	<u>\$4,663,640</u>	<u>\$24,577,268</u>

See Accompanying Notes to the Basic Financial Statements

Tallmadge City School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total Governmental Funds Balances \$4,833,875

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

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

Land	3,354,650	
Buildings and Improvements, Net	33,060,859	
Furniture, Fixture and Equipment, Net	746,980	
Vehicles, Net	<u>252,886</u>	
Total		37,415,375

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

Taxes	744,958	
Grants	<u>24,250</u>	
Total		769,208

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

Compensated Absences Payable	(2,826,939)	
General Obligation Bonds	<u>(26,124,422)</u>	
Total		<u>(28,951,361)</u>

Net Assets of Governmental Activities \$14,067,097

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$13,512,547	\$1,966,998	\$15,479,545
Intergovernmental	10,727,296	1,692,978	12,420,274
Interest	7,628	21	7,649
Tuition and Fees	347,469	0	347,469
Rent	64,657	0	64,657
Extracurricular Activities	312,703	145,547	458,250
Gifts and Donations	0	112,643	112,643
Customer Sales and Services	332,160	395,846	728,006
Miscellaneous	74,582	0	74,582
<i>Total Revenues</i>	<u>25,379,042</u>	<u>4,314,033</u>	<u>29,693,075</u>
Expenditures			
Current:			
Instruction:			
Regular	13,897,503	229,326	14,126,829
Special	2,418,849	401,751	2,820,600
Vocational	731,616	0	731,616
Adult/Continuing	55,412	56,600	112,012
Support Services:			
Pupils	1,132,053	278,534	1,410,587
Instructional Staff	472,338	130,579	602,917
Board of Education	35,511	0	35,511
Administration	1,747,085	40,927	1,788,012
Fiscal	803,334	37,073	840,407
Business	130,750	0	130,750
Operation and Maintenance of Plant	1,746,641	50,525	1,797,166
Pupil Transportation	1,914,671	0	1,914,671
Central	510,254	0	510,254
Operation of Non-Instructional Services	0	712,025	712,025
Extracurricular Activities	749,349	181,912	931,261
Capital Outlay	0	525,936	525,936
Debt Service:			
Principal Retirement	0	730,000	730,000
Interest and Fiscal Charges	0	1,234,015	1,234,015
<i>Total Expenditures</i>	<u>26,345,366</u>	<u>4,609,203</u>	<u>30,954,569</u>
<i>(Deficiency) of Revenues</i>			
<i>(Under) Expenditures</i>	(966,324)	(295,170)	(1,261,494)
Other Financing Sources			
Proceeds from Sale of Capital Assets	130,000	0	130,000
<i>Total Other Financing Sources</i>	<u>130,000</u>	<u>0</u>	<u>130,000</u>
<i>Net Change in Fund Balances</i>	(836,324)	(295,170)	(1,131,494)
<i>Fund Balances Beginning of Year</i>	<u>3,510,448</u>	<u>2,454,921</u>	<u>5,965,369</u>
<i>Fund Balances End of Year</i>	<u>\$2,674,124</u>	<u>\$2,159,751</u>	<u>\$4,833,875</u>

See Accompanying Notes to the Basic Financial Statements.

**Tallmadge City School District
Summit County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds (\$1,131,494)

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

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

Capital Asset Additions	284,746	
Capital Asset Deletions	(242,407)	
Depreciation	<u>(712,629)</u>	
Total		(670,290)

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

Property Tax	189,013	
Grants	<u>177</u>	
Total		189,190

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

General Obligation Bonds		730,000
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Some expenses reported in the statement of activities, such as compensated absences and interest on bond payments do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(170,269)	
Interest	<u>24,735</u>	
Total		<u>(145,534)</u>

Change in Net Assets of Governmental Activities (\$1,028,128)

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$16,131,866	\$14,135,239	\$14,027,363	(\$107,876)
Intergovernmental	8,463,686	10,544,585	10,727,296	182,711
Interest	9,700	9,700	7,598	(2,102)
Tuition and Fees	353,641	314,000	227,012	(86,988)
Rent	68,200	68,200	64,657	(3,543)
Extracurricular Activities	32,600	32,600	46,449	13,849
Miscellaneous	10,250	10,250	13,577	3,327
Total Revenues	<u>25,069,943</u>	<u>25,114,574</u>	<u>25,113,952</u>	<u>(622)</u>
Expenditures				
Current:				
Instruction:				
Regular	14,349,392	15,067,916	13,509,418	1,558,498
Special	2,446,808	2,446,808	2,457,030	(10,222)
Vocational	942,966	944,166	751,500	192,666
Adult/Continuing	8,637	8,637	55,412	(46,775)
Support Services:				
Pupils	1,245,049	1,245,749	1,133,047	112,702
Instructional Staff	458,755	472,755	490,025	(17,270)
Board of Education	41,808	44,308	36,571	7,737
Administration	2,060,325	2,078,801	1,805,482	273,319
Fiscal	924,223	924,223	857,631	66,592
Business	144,719	144,719	123,379	21,340
Operation and Maintenance of Plant	1,684,793	2,199,993	1,869,614	330,379
Pupil Transportation	1,652,492	1,707,492	1,816,053	(108,561)
Central	293,744	293,744	306,163	(12,419)
Extracurricular Activities	747,807	747,807	723,295	24,512
Total Expenditures	<u>27,001,518</u>	<u>28,327,118</u>	<u>25,934,620</u>	<u>2,392,498</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,931,575)</u>	<u>(3,212,544)</u>	<u>(820,668)</u>	<u>2,391,876</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	130,000	130,000	0
Refund of Prior Year Expenditures	0	50,000	51,089	1,089
Total Other Financing Sources	<u>0</u>	<u>180,000</u>	<u>181,089</u>	<u>1,089</u>
Net Change in Fund Balance	(1,931,575)	(3,032,544)	(639,579)	2,392,965
Fund Balance at Beginning of Year	3,905,882	3,905,882	3,905,882	0
Prior Year Encumbrances Appropriated	514,550	514,550	514,550	0
Fund Balance at End of Year	<u>\$2,488,857</u>	<u>\$1,387,888</u>	<u>\$3,780,853</u>	<u>\$2,392,965</u>

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$42,699</u>
Liabilities	
Due to Students	<u>\$42,699</u>

See Accompanying Notes to the Basic Financial Statements.

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

Note 1 - Description of the School District

Tallmadge City School District (the “School District”) is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District is primarily located in Summit County with a small portion located in Portage County and encompasses nearly all of the City of Tallmadge. The School District provides educational services as mandated by state and federal agencies. The Board controls the School District’s nine instructional/support facilities staffed by 104 classified employees and 204 certified full-time personnel who provide services to 2,587 students and other community members. The School District currently operates three elementary buildings, one middle school, one high school, an administrative building, an annex, a maintenance garage and a bus garage.

Reporting Entity

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

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reflected as a governmental activity of the School District.

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund which accounts for student activities.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance for the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

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

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2012, investments were limited to repurchase agreements, STAROhio and a Morgan Bank money market fund. Investments in STAR Ohio are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and money market investments that had a maturity of one year or less at the time of purchase are reported at cost.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for at June 30, 2012.

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

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

G. Inventory

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 – 75 years
Furniture, Fixtures and Equipment	5 – 20 years
Vehicles	7 – 15 years

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually-required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets restricted for other purposes include food service operations and extracurricular activities.

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 are 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. It also includes the long-term amount of interfund loans.

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.

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 policies of the School District Board of Education.

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

Tallmadge City School District
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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.

O. Interfund Activity

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

P. Estimates

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

Note 3 – Accountability and Compliance

A. Deficit Fund Balances

At June 30, 2012, the following funds reported deficits in fund balance on the GAAP basis:

Fund	Deficit
Capital Projects Fund	
Permanent Improvement	(\$34,507)
Special Revenue Funds	
Food Service	(\$310,250)
Ed Jobs Program	(\$18,037)
Title VI-B	(\$43,738)
Title I	(\$5,095)
Class Size Reduction Grant	(\$7,183)

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

Tallmadge City School District
Notes to the Basic Financial Statements
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At June 30, 2012, the following funds reported deficits in fund balance on the budgetary basis:

<u>Fund</u>	<u>Deficit</u>
Capital Projects Fund	
Permanent Improvement	(112,120)
Special Revenue Funds	
Food Services	(276,307)
Title VI-B	(22,823)
Title II-D Technology	(2,032)
Title I	(6,488)
Class Size Reduction Grant	(1,713)

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

B. Change in Accounting Principles

For fiscal year 2012, the School has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions."

GASB Statement No. 57 provides guidance on two implementation issues related to other postemployment benefits. The implementation of GASB 57 had no material effect on the financial statements of the School. GASB Statement No. 64 improves financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counter party's credit support provider. The implementation of GASB 64 had no material effect on the financial statements of the School.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned of fund balance (GAAP basis).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

5. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
6. Some funds included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements.

Net Change in Fund Balance	General Fund
GAAP Basis	(\$836,324)
Revenue Accruals	511,936
Expenditure Accruals	(696,590)
Funds with Separate Legally Adopted Budgets	(\$133,151)
Encumbrances	514,550
Budget Basis	(\$639,579)

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held until maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At fiscal year end, the School District had \$3,180 in undeposited cash on hand, which is included on the Basic Financial Statements as part of "Equity in Pooled Cash and Cash Equivalents". The bank balance of the School District's deposits was \$1,913,968, of which \$250,000 was covered by federal depository insurance. The remaining balance was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the School District's name. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments All interest is legally required to be placed in the General fund, the Food Service special revenue fund, Building Fund capital projects fund, and the Self-Insurance internal service fund. Due to these provisions, the General fund received \$7,598, of which \$2,732 was assigned from other School District funds.

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

As of June 30, 2012, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity Less than One Year
Repurchase Agreements	\$4,945,000	\$4,945,000
Morgan Bank Money Market Fund	\$10,037	\$10,037
STAROhio	\$52,629	\$52,629

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

Credit Risk. As of June 30, 2011, the School District’s investment in Morgan Bank and STAROhio were rated AA- and AAAM, respectively by Standard & Poor’s.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities for the School District’s repurchase agreements are held by First Merit Bank in the name of the School District. The District has no investment policy dealing with custodial risk beyond the requirements of State statute.

Concentration of Credit Risk. The School District places no limit on the amount the School District may invest in any one issuer. More than five percent of the School District’s investments are in repurchase agreements (98 percent).

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property (used in business) 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 thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officers and County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, though not intended to finance fiscal year 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 real property, public utility property and tangible personal property taxes which are 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 a portion of the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$1,469,379 in the general fund, \$36,614 in the permanent improvement capital projects fund and \$156,109 in the Bond Retirement Fund. These are recognized as revenue on the fund financial statements.

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

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

Category	2011 Second Half Collections		2012 First Half Collections	
	Amount	%	Amount	%
Real Property Valuation:				
Agricultural/Residential and Other Real Estate	\$331,650,820	80.10%	\$310,853,240	81.83%
Public Utilities Personal	4,230,360	1.02%	4,426,900	1.17%
Tangible Personal	78,160,530	18.88%	64,600,250	17.01%
Total Valuation	<u>\$414,041,710</u>	<u>100.00%</u>	<u>\$379,880,390</u>	<u>100.00%</u>

Note 7 - Receivables

Receivables at June 30, 2012 consisted of taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I	\$41,459
Title VI-B	\$3,366
Class Size Reduction	13,602
Title II-D	2,032
Total	<u>\$60,459</u>

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

Note 8 – Capital Assets

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

	Balance 06/30/11	Additions	Deletions	Balance 06/30/12
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$3,354,650	\$0	\$0	\$3,354,650
Total Capital Assets, Not Being Depreciated	<u>3,354,650</u>	<u>0</u>	<u>0</u>	<u>3,354,650</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	40,156,736	0	(558,343)	39,598,393
Furniture, Fixtures and Equipment	1,874,952	284,746	(438,793)	1,720,905
Vehicles	2,544,015	0	(843,506)	1,700,509
Total Capital Assets, Being Depreciated	<u>44,575,703</u>	<u>284,746</u>	<u>(1,840,642)</u>	<u>43,019,807</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,439,169)	(530,959)	432,594	(6,537,534)
Furniture, Fixtures and Equipment	(1,254,898)	(125,492)	406,465	(973,925)
Vehicles	(2,150,621)	(56,178)	759,176	(1,447,623)
Total Accumulated Depreciation	<u>(9,844,688)</u>	<u>(712,629) *</u>	<u>1,598,235</u>	<u>(8,959,082)</u>
Total Capital Assets, Being Depreciated, net	<u>34,731,015</u>	<u>(427,883)</u>	<u>(242,407)</u>	<u>34,060,725</u>
Governmental Activities Capital Assets, net	<u>\$38,085,665</u>	<u>(\$427,883)</u>	<u>(\$242,407)</u>	<u>\$37,415,375</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$325,903
Special	11,218
Vocational	31,657
Support Services:	
Pupils	4,669
Instructional Staff	22,307
Administration	46,302
Fiscal	1,065
Business	684
Operation and Maintenance of Plant	129,017
Pupil Transportation	46,618
Non-Instructional Services	25,836
Extracurricular Activities	67,353
Total Depreciation Expense	<u>\$712,629</u>

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

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The following is a summary of the School District's insurance coverage with Todd & Associates, Inc. as of June 30, 2011:

Coverage	Amount
Buildings and Contents - Replacement Costs	\$80,994,434
Inland Marine	Incl. above
Boiler and Machinery	\$50,000,000
Crime Insurance	\$50,000
Automobile Liability	\$1,000,000
Uninsured Motorists	\$50,000
General Liability	
Per Occurrence	\$1,000,000
Total Per Year	\$10,000,000

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

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

As of January 1, 2010, School District is no longer self-insured. The School District contracted with Medical Mutual of Ohio to provide medical, drug card, dental, vision and hearing benefit insurance for its employees and their covered dependents. The School District is responsible for funding the health expenses, a corridor of up to \$2,000 for single coverage or \$4,000 for family coverage, after the employee has paid his deductible or coinsurance portion.. The School District's funding does not apply to services where a deductible does not apply. In addition, the School District's funding does not apply to the drug card, dental, vision and hearing benefits. Once the corridor amount is exhausted, Medical Mutual pays the claims. Premium rates are set based on an annual review process with the School District.

Workers' Compensation

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

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

Note 10 - Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$347,710, \$347,644, and \$365,988 respectively; 32.22 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

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

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

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

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

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,699,709, \$1,657,788, and \$1,634,856 , respectively; 85.77 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2011 *Comprehensive Annual Financial* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

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

The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The School District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$18,876, \$18,872, and \$19,868, respectively, which equaled the required contributions each year.

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

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$90,306, \$90,970, and \$64,647, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in it *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

B. State Teachers Retirement System

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

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The School's contributions for health care for fiscal years ended June 30, 2012, 2011, and 2010 were \$130,747, \$127,522, and \$125,758, respectively; 85.77 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

Note 12 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn three to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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

B. Life Insurance

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

Note 13 - Debt Obligations

Long-Term Obligations

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

	Principal Outstanding 07/01/11	Additions	Deletions	Principal Outstanding 06/30/12	Amounts Due in One Year
General Long-Term Obligations:					
2005 \$30,190,000, 4.62%					
Maturing on 12/01/2032					
School Facilities Bonds	\$26,335,000	\$0	(\$730,000)	\$25,605,000	\$755,000
Unamortized Premium on Bonds	544,159	0	(24,737)	519,422	24,734
Total General Obligation Bonds	26,879,159	0	(754,737)	26,124,422	779,734
Other Long-Term Obligations:					
Compensated Absences	2,656,668	1,313,118	(1,142,847)	2,826,939	254,059
Total Governmental Activities	\$29,535,827	\$1,313,118	(\$1,897,584)	\$28,951,361	\$1,033,793

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

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

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

Fiscal Year Ending	General Obligation Bonds		
	School Facilities Bonds		
	June 30,	Principal	Interest
2013	\$755,000	\$1,208,028	\$1,963,028
2014	780,000	1,177,059	1,957,059
2015	815,000	1,141,090	1,956,090
2016	850,000	1,105,877	1,955,877
2017	885,000	1,071,177	1,956,177
2018-2022	5,045,000	4,702,165	9,747,165
2023-2027	6,425,000	3,289,850	9,714,850
2028-2032	8,165,000	1,498,387	9,663,387
2033	1,885,000	43,826	1,928,826
Total	\$25,605,000	\$15,237,459	\$40,842,459

Note 14 - Interfund Transactions

A. Interfund Balance

Interfund Payable	Interfund Receivable
Other Governmental Funds	General Fund
	\$333,147

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

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

Note 15 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology (NEOnet) – The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Information Technology Center (ITC) used by the School District. NEOnet is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board, Metropolitan Regional Schools Council (MRSC) consisting of superintendents and treasurers from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2012, the School District contributed \$139,251 to NEOnet. Financial information can be obtained by contacting the fiscal agent at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

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

Note 16 - Contingencies

A. Grants

The 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 receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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.

B. Litigation

There is no litigation that the District is involved as of June 30, 2012.

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

Note 17 - Set-Aside Calculations

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

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	426,592
Current Year Offsets	(396,772)
Qualifying Disbursements	(534,905)
Total	(\$505,085)
Cash Balance Carried Forward to Future Years	\$0

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

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

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

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

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 Tallmadge City School 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 10, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Tallmadge City School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tallmadge City School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page Two

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the management of Tallmadge City School District in a separate letter dated December 10, 2012.

This report is intended solely for the information and use of management, the District's Board of Education, Auditor of State, federal awarding agencies and pass-through entities and others within the government. We intend it for no one other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 10, 2012

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

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

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

To the Board of Education:

Compliance

We have audited the compliance of Tallmadge City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tallmadge City School District's major federal program for the year ended June 30, 2012. Tallmadge City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Tallmadge City School District management. Our responsibility is to express an opinion on Tallmadge City School District's compliance based on our audit.

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

In our opinion, the Tallmadge City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Tallmadge City School District 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 Tallmadge City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to tests and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Tallmadge City School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tallmadge City School 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, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the District's Board of Education, Auditor of State, federal awarding agencies and pass-through entities and others within the government. We intend it for no one other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

December 10, 2012

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

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	State Fiscal Stabilization; CFDA#84.394 Title 1 Cluster: CFDA #84.010, 84.389
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Lunch Program	n/a	10.555	229,066	32,211	229,066	32,211
Total Nutrition Cluster			229,066	32,211	229,066	32,211
Total U.S. Department of Agriculture			229,066	32,211	229,066	32,211
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Cluster:						
Title I Educationally Deprived Children	44883C1S111	84.010	85,884	-	43,394	-
	44883C1S112		260,506	-	271,249	-
	44883C1SN11		12,377	-	1,156	-
	44883C1SN12		7,724	-	20,699	-
			366,491	-	336,498	-
Title I Educationally Deprived Children ARRA	44883NC1S111A	84.389	10,767	-	3,934	-
			10,767	-	3,934	-
Total Title I Cluster			377,258	-	340,432	-
Special Education Cluster:						
Title VI-B Special Education Assistance	448836BSF11	84.027	100,047	-	54,813	-
	448836BSF12		467,630	-	460,604	-
			567,677	-	515,417	-
Title VI-B ARRA	448836BSF11A	84.391	76,720	-	21,205	-
			76,720	-	21,205	-
Total Special Education Cluster			644,397	-	536,622	-
Education Jobs	44883EJ12	84.410	170,616	-	160,620	-
			170,616	-	160,620	-
Technology Literacy Challenge	44883TJS1011	84.318	3,061	-	-	-
			3,061	-	-	-
Improving Teacher Quality State Grant	44883TRS111	84.367	24,073	-	7,662	-
	44883TRS112		64,511	-	64,729	-
			88,584	-	72,391	-
State Fiscal Stabilization - ARRA	44883FY11	84.394	-	-	23,165	-
			-	-	23,165	-
Total U.S. Department of Education			1,283,916	-	1,133,230	-
Total Federal Awards Expenditures			1,512,982	32,211	1,362,296	32,211

See notes to Schedule of Federal Awards Expenditures.

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

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – CHILD NUTRITION CLUSTER

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

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

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

TALLMADGE CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2013