



Auditor of State
Betty Montgomery

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Tuslaw Local School District
Stark County
1723 Manchester Avenue N.W.
Massillon, OH 44647

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tuslaw Local School District, Stark County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 29, 2003

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Tuslaw Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBIT			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,943,821	\$200,671	\$8,917
Receivables:			
Taxes	3,758,081	0	0
Intergovernmental	8,869	107,624	0
Interfund	46,678	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies			
Inventory	4,420	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Restricted Asset			
Equity in Pooled Cash and Cash Equivalents	4,879	0	0
Other Debit			
Amount to be Provided from General Government Resources	0	0	0
<i>Total Assets and Other Debit</i>	\$5,766,748	\$308,295	\$8,917

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$101,936	\$88,157	\$0	\$0	\$2,343,502
0	0	0	0	3,758,081
10,099	0	0	0	126,592
0	0	0	0	46,678
10,384	0	0	0	10,384
1,105	0	0	0	5,525
18,210	0	5,831,339	0	5,849,549
0	0	0	0	4,879
<u>0</u>	<u>0</u>	<u>0</u>	<u>803,747</u>	<u>803,747</u>
<u>\$141,734</u>	<u>\$88,157</u>	<u>\$5,831,339</u>	<u>\$803,747</u>	<u>\$12,948,937</u>

(continued)

Tuslaw Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Accounts Payable	\$82,326	\$28,680	\$0
Contracts Payable	0	0	156,887
Accrued Wages and Benefits	594,797	29,281	0
Compensated Absences Payable	16,695	0	0
Interfund Payable	0	46,678	0
Intergovernmental Payable	127,811	5,481	0
Deferred Revenue	3,689,241	6,532	0
Due to Students	0	0	0
Undistributed Monies	0	0	0
Capital Leases Payable	0	0	0
<i>Total Liabilities</i>	4,510,870	116,652	156,887
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	187,066	36,961	266,626
Reserved for Inventory	4,420	0	0
Reserved for Textbooks	4,879	0	0
Reserved for Principal	0	0	0
Reserved for Taxes	68,840	0	0
Unreserved, Undesignated	990,673	154,682	(414,596)
<i>Total Fund Equity and Other Credits</i>	1,255,878	191,643	(147,970)
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$5,766,748	\$308,295	\$8,917

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$348	\$500	\$0	\$0	\$111,854
0	0	0	0	156,887
19,441	0	0	0	643,519
16,652	0	0	580,356	613,703
0	0	0	0	46,678
16,467	0	0	58,184	207,943
7,844	0	0	0	3,703,617
0	37,730	0	0	37,730
0	40,030	0	0	40,030
0	0	0	165,207	165,207
<u>60,752</u>	<u>78,260</u>	<u>0</u>	<u>803,747</u>	<u>5,727,168</u>
0	0	5,831,339	0	5,831,339
80,982	0	0	0	80,982
0	0	0	0	490,653
0	0	0	0	4,420
0	0	0	0	4,879
0	9,897	0	0	9,897
0	0	0	0	68,840
0	0	0	0	730,759
<u>80,982</u>	<u>9,897</u>	<u>5,831,339</u>	<u>0</u>	<u>7,221,769</u>
<u>\$141,734</u>	<u>\$88,157</u>	<u>\$5,831,339</u>	<u>\$803,747</u>	<u>\$12,948,937</u>

Tuslaw Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002*

	Governmental	
	General	Special Revenue
Revenues		
Taxes	\$3,532,006	\$0
Intergovernmental	4,345,043	534,573
Interest	60,365	0
Tuition and Fees	55,182	411
Extracurricular Activities	165	227,770
Contributions and Donations	0	26,498
Rentals	21,834	0
Miscellaneous	19,115	221
<i>Total Revenues</i>	<i>8,033,710</i>	<i>789,473</i>
Expenditures		
Current:		
Instruction:		
Regular	3,516,236	144,134
Special	757,773	291,636
Vocational	129,889	0
Support Services:		
Pupils	334,427	14,519
Instructional Staff	178,718	80,619
Board of Education	21,073	0
Administration	704,169	12,392
Fiscal	234,525	0
Business	15,707	0
Operation and Maintenance of Plant	961,563	2,512
Pupil Transportation	681,945	20
Operation of Non-Instructional Services	17,781	5,996
Extracurricular Activities	223,290	190,736
Capital Outlay	104,843	0
Debt Service:		
Principal Retirement	25,554	0
Interest and Fiscal Charges	10,732	0
<i>Total Expenditures</i>	<i>7,918,225</i>	<i>742,564</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>115,485</i>	<i>46,909</i>
Other Financing Sources and Uses		
Operating Transfers In	0	9,513
Operating Transfers Out	(46,933)	0
<i>Total Other Financing Sources and Uses</i>	<i>(46,933)</i>	<i>9,513</i>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<i>68,552</i>	<i>56,422</i>
<i>Fund Balances at Beginning of Year</i>	<i>1,192,819</i>	<i>135,221</i>
<i>Decrease in Reserve for Inventory</i>	<i>(5,493)</i>	<i>0</i>
<i>Fund Balances (Deficit) at End of Year</i>	<i>\$1,255,878</i>	<i>\$191,643</i>

See accompanying notes to the general purpose financial statements

<u>Fund Types</u>		Totals
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$0	\$0	\$3,532,006
48,691	18,664	4,946,971
0	0	60,365
0	0	55,593
0	0	227,935
0	0	26,498
0	0	21,834
0	1,000	20,336
<u>48,691</u>	<u>19,664</u>	<u>8,891,538</u>
0	34,302	3,694,672
0	0	1,049,409
0	0	129,889
0	0	348,946
0	0	259,337
0	0	21,073
0	0	716,561
0	0	234,525
0	0	15,707
0	0	964,075
0	0	681,965
0	0	23,777
0	0	414,026
0	186,717	291,560
46,274	0	71,828
2,417	0	13,149
<u>48,691</u>	<u>221,019</u>	<u>8,930,499</u>
<u>0</u>	<u>(201,355)</u>	<u>(38,961)</u>
0	37,420	46,933
0	0	(46,933)
<u>0</u>	<u>37,420</u>	<u>0</u>
0	(163,935)	(38,961)
0	15,965	1,344,005
0	0	(5,493)
<u>\$0</u>	<u>(\$147,970)</u>	<u>\$1,299,551</u>

Tuslaw Local School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)*
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$3,757,168	\$3,562,456	(\$194,712)
Intergovernmental	4,112,000	4,345,043	233,043
Interest	100,000	60,365	(39,635)
Tuition and Fees	53,000	46,313	(6,687)
Extracurricular Activities	750	165	(585)
Contributions and Donations	0	0	0
Rentals	40,000	21,834	(18,166)
Miscellaneous	25,300	19,115	(6,185)
<i>Total Revenues</i>	<u>8,088,218</u>	<u>8,055,291</u>	<u>(32,927)</u>
Expenditures			
Current:			
Instruction:			
Regular	3,599,748	3,544,883	54,865
Special	808,500	805,503	2,997
Vocational	131,549	130,811	738
Support Services:			
Pupils	355,460	353,399	2,061
Instructional Staff	191,326	179,365	11,961
Board of Education	27,505	21,382	6,123
Administration	760,374	716,324	44,050
Fiscal	260,593	236,564	24,029
Business	13,075	13,065	10
Operation and Maintenance of Plant	1,049,111	1,021,003	28,108
Pupil Transportation	786,345	751,344	35,001
Central	100	0	100
Operation of Non-Instructional Services	19,175	17,830	1,345
Extracurricular Activities	229,270	216,931	12,339
Capital Outlay	98,000	91,721	6,279
Debt Service:			
Principal Retirement	18,000	8,905	9,095
Interest and Fiscal Charges	14,500	7,206	7,294
<i>Total Expenditures</i>	<u>8,362,631</u>	<u>8,116,236</u>	<u>246,395</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(274,413)</u>	<u>(60,945)</u>	<u>213,468</u>
Other Financing Sources (Uses)			
Advances In	25,000	4,000	(21,000)
Operating Transfers In	0	0	0
Operating Transfers Out	(50,000)	(46,933)	3,067
Advances Out	0	(46,678)	(46,678)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>(89,611)</u>	<u>(64,611)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(299,413)</u>	<u>(150,556)</u>	<u>148,857</u>
<i>Fund Balances (Deficit) at Beginning of Year</i>	1,482,068	1,482,068	0
<i>Prior Year Encumbrances Appropriated</i>	<u>347,797</u>	<u>347,797</u>	<u>0</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$1,530,452</u></u>	<u><u>\$1,679,309</u></u>	<u><u>\$148,857</u></u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
507,976	434,552	(73,424)	66,000	48,691	(17,309)
0	0	0	0	0	0
1,700	412	(1,288)	0	0	0
307,400	227,769	(79,631)	0	0	0
22,000	26,498	4,498	0	0	0
0	0	0	0	0	0
100	221	121	0	0	0
<u>839,176</u>	<u>689,452</u>	<u>(149,724)</u>	<u>66,000</u>	<u>48,691</u>	<u>(17,309)</u>
233,955	165,710	68,245	0	0	0
300,217	288,259	11,958	0	0	0
0	0	0	0	0	0
25,468	21,779	3,689	0	0	0
110,857	84,327	26,530	0	0	0
0	0	0	0	0	0
17,116	12,394	4,722	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,249	3,249	0	0	0	0
20	20	0	0	0	0
0	0	0	0	0	0
6,600	6,102	498	0	0	0
249,603	213,601	36,002	0	0	0
5,366	0	5,366	0	0	0
0	0	0	46,000	46,274	(274)
0	0	0	4,000	2,417	1,583
<u>952,451</u>	<u>795,441</u>	<u>157,010</u>	<u>50,000</u>	<u>48,691</u>	<u>1,309</u>
<u>(113,275)</u>	<u>(105,989)</u>	<u>7,286</u>	<u>16,000</u>	<u>0</u>	<u>(16,000)</u>
0	46,678	46,678	0	0	0
0	9,513	9,513	0	0	0
0	0	0	0	0	0
(4,000)	(4,000)	0	0	0	0
<u>(4,000)</u>	<u>52,191</u>	<u>56,191</u>	<u>0</u>	<u>0</u>	<u>0</u>
(117,275)	(53,798)	63,477	16,000	0	(16,000)
141,813	141,813	0	0	0	0
46,514	46,514	0	0	0	0
<u>\$71,052</u>	<u>\$134,529</u>	<u>\$63,477</u>	<u>\$16,000</u>	<u>\$0</u>	<u>(\$16,000)</u>

(continued)

Tuslaw Local School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2002*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$0	\$0	\$0
Intergovernmental	32,000	30,164	(1,836)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
Miscellaneous	0	1,000	1,000
<i>Total Revenues</i>	<u>32,000</u>	<u>31,164</u>	<u>(836)</u>
Expenditures			
Current:			
Instruction:			
Regular	35,072	34,302	770
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	630,000	453,343	176,657
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>665,072</u>	<u>487,645</u>	<u>177,427</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(633,072)</u>	<u>(456,481)</u>	<u>176,591</u>
Other Financing Sources (Uses)			
Advances In	600,000	0	(600,000)
Operating Transfers In	30,000	37,420	7,420
Operating Transfers Out	0	0	0
Advances Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>630,000</u>	<u>37,420</u>	<u>(592,580)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(3,072)</u>	<u>(419,061)</u>	<u>(415,989)</u>
<i>Fund Balances (Deficit) at Beginning of Year</i>	(12,018)	(12,018)	0
<i>Prior Year Encumbrances Appropriated</i>	<u>16,483</u>	<u>16,483</u>	<u>0</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$1,393</u></u>	<u><u>(\$414,596)</u></u>	<u><u>(\$415,989)</u></u>

See accompanying notes to the general purpose financial statements:

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,757,168	\$3,562,456	(\$194,712)
4,717,976	4,858,450	140,474
100,000	60,365	(39,635)
54,700	46,725	(7,975)
308,150	227,934	(80,216)
22,000	26,498	4,498
40,000	21,834	(18,166)
25,400	20,336	(5,064)
<u>9,025,394</u>	<u>8,824,598</u>	<u>(200,796)</u>
3,868,775	3,744,895	123,880
1,108,717	1,093,762	14,955
131,549	130,811	738
380,928	375,178	5,750
302,183	263,692	38,491
27,505	21,382	6,123
777,490	728,718	48,772
260,593	236,564	24,029
13,075	13,065	10
1,052,360	1,024,252	28,108
786,365	751,364	35,001
100	0	100
25,775	23,932	1,843
478,873	430,532	48,341
733,366	545,064	188,302
64,000	55,179	8,821
18,500	9,623	8,877
<u>10,030,154</u>	<u>9,448,013</u>	<u>582,141</u>
<u>(1,004,760)</u>	<u>(623,415)</u>	<u>381,345</u>
625,000	50,678	(574,322)
30,000	46,933	16,933
(50,000)	(46,933)	3,067
<u>(4,000)</u>	<u>(50,678)</u>	<u>(46,678)</u>
<u>601,000</u>	<u>0</u>	<u>(601,000)</u>
(403,760)	(623,415)	(219,655)
1,611,863	1,611,863	0
410,794	410,794	0
<u>\$1,618,897</u>	<u>\$1,399,242</u>	<u>(\$219,655)</u>

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Tuslaw Local School District
Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance
Enterprise Fund and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues			
Sales	\$247,913	\$0	\$247,913
Interest	0	251	251
<i>Total Operating Revenues</i>	<u>247,913</u>	<u>251</u>	<u>248,164</u>
Operating Expenses			
Salaries	148,500	0	148,500
Fringe Benefits	51,513	0	51,513
Purchased Services	4,045	0	4,045
Materials and Supplies	18,692	0	18,692
Cost of Sales	150,924	0	150,924
Other	0	500	500
Depreciation	4,644	0	4,644
<i>Total Operating Expenses</i>	<u>378,318</u>	<u>500</u>	<u>378,818</u>
<i>Operating Loss</i>	<u>(130,405)</u>	<u>(249)</u>	<u>(130,654)</u>
Non-Operating Revenues			
Donated Commodities	37,494	0	37,494
Intergovernmental	84,136	0	84,136
Interest	2,623	0	2,623
<i>Total Non-Operating Revenues</i>	<u>124,253</u>	<u>0</u>	<u>124,253</u>
<i>Net Loss</i>	(6,152)	(249)	(6,401)
<i>Retained Earnings/Fund Balance at Beginning of Year</i>	<u>87,134</u>	<u>10,146</u>	<u>97,280</u>
<i>Retained Earnings/Fund Balance at End of Year</i>	<u><u>\$80,982</u></u>	<u><u>\$9,897</u></u>	<u><u>\$90,879</u></u>

See accompanying notes to the general purpose financial statements

Tuslaw Local School District
*Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Enterprise Fund and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002*

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$263,095	\$247,913	(\$15,182)
Operating Grants	91,000	74,037	(16,963)
Interest	4,650	2,622	(2,028)
<i>Total Revenues</i>	<u>358,745</u>	<u>324,572</u>	<u>(34,173)</u>
Expenses			
Salaries and Wages	148,561	147,545	1,016
Fringe Benefits	50,120	49,600	520
Purchased Services	7,200	4,696	2,504
Materials and Supplies	147,319	131,344	15,975
Other	0	0	0
Capital Outlay	6,500	3,610	2,890
<i>Total Expenses</i>	<u>359,700</u>	<u>336,795</u>	<u>22,905</u>
<i>Excess of Revenues Under Expenses</i>	(955)	(12,223)	(11,268)
<i>Fund Equity at Beginning of Year</i>	110,339	110,339	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,169</u>	<u>3,169</u>	<u>0</u>
<i>Fund Equity at End of Year</i>	<u>\$112,553</u>	<u>\$101,285</u>	<u>(\$11,268)</u>

See accompanying notes to the general purpose financial statements

Non-Expendable Trust			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$263,095	\$247,913	(\$15,182)
0	0	0	91,000	74,037	(16,963)
600	251	(349)	5,250	2,873	(2,377)
600	251	(349)	359,345	324,823	(34,522)
0	0	0	148,561	147,545	1,016
0	0	0	50,120	49,600	520
0	0	0	7,200	4,696	2,504
0	0	0	147,319	131,344	15,975
1,000	1,000	0	1,000	1,000	0
0	0	0	6,500	3,610	2,890
1,000	1,000	0	360,700	337,795	22,905
(400)	(749)	(349)	(1,355)	(12,972)	(11,617)
10,146	10,146	0	120,485	120,485	0
500	500	0	3,669	3,669	0
<u>\$10,246</u>	<u>\$9,897</u>	<u>(\$349)</u>	<u>\$122,799</u>	<u>\$111,182</u>	<u>(\$11,617)</u>

Tuslaw Local School District
Statement of Cash Flows
Enterprise Fund and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
<i>DECREASE IN CASH AND CASH EQUIVALENTS</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$247,912	\$0	\$247,912
Cash Payments to Suppliers for Goods and Services	(135,389)	(500)	(135,889)
Cash Payments to Employees for Services	(147,545)	0	(147,545)
Cash Payments for Employee Benefits	(49,600)	0	(49,600)
<i>Net Cash Used for Operating Activities</i>	<u>(84,622)</u>	<u>(500)</u>	<u>(85,122)</u>
Cash Flows from Noncapital Financing Activities			
Intergovernmental Revenue	<u>74,037</u>	<u>0</u>	<u>74,037</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>74,037</u>	<u>0</u>	<u>74,037</u>
Cash Flows from Capital Financing Activities			
Payments for Capital Acquisition	<u>(3,610)</u>	<u>0</u>	<u>(3,610)</u>
<i>Net Cash Used for Capital Financing Activities</i>	<u>(3,610)</u>	<u>0</u>	<u>(3,610)</u>
Cash Flows from Investing Activities			
Interest	<u>2,623</u>	<u>251</u>	<u>2,874</u>
<i>Net Cash Provided by Investing Activities</i>	<u>2,623</u>	<u>251</u>	<u>2,874</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(11,572)	(249)	(11,821)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>113,508</u>	<u>10,646</u>	<u>124,154</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$101,936</u></u>	<u><u>\$10,397</u></u>	<u><u>\$112,333</u></u>

(continued)

Tuslaw Local School District
Statement of Cash Flows
Enterprise Fund and Non-Expendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2002

	Enterprise	Non-Expendable Trust	Totals (Memorandum Only)
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>			
<i>Operating Loss</i>	(\$130,405)	(\$249)	(\$130,654)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</i>			
Depreciation	4,644	0	4,644
Interest	0	(251)	(251)
Donated Commodities Used During Year	37,494	0	37,494
<i>Changes in Assets and Liabilities:</i>			
Decrease in Inventory Held for Resale	610	0	610
Increase in Materials and Supplies Inventory	(180)	0	(180)
Increase in Accounts Payable	348	0	348
Increase in Accrued Wages and Benefits	1,216	0	1,216
Increase in Compensated Absences Payable	242	0	242
Increase in Intergovernmental Payable	1,409	0	1,409
<i>Total Adjustments</i>	45,783	(251)	45,532
<i>Net Cash Used for Operating Activities</i>	(\$84,622)	(\$500)	(\$85,122)

See accompanying notes to the general purpose financial statements

***Reconciliation of Cash and Cash Equivalents
to the Combined Balance Sheet:***

Trust and Agency	\$88,157
Less: Agency	(77,760)
Nonexpendable Trust Fund	\$10,397

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Note 1 - Description of the School District

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

The School District is staffed by 57 non-certificated employees and 89 certificated personnel who provide services to 1,366 students and other community members. The School District operates one junior/senior high school, three elementary buildings and one bus garage.

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Stark-Portage Area Computer Consortium, Stark County Joint Vocational School, the Stark County Council of Government Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Stark County Schools Council of Government Health Benefits Program. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and the non-expendable trust fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

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 general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than major capital projects funds) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund and the non-expendable trust fund).

Proprietary Fund Type:

The proprietary fund is used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Board of Education had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include a non-expendable trust fund and agency funds. Agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary fund.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, tuition and grants.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund and non-expendable trust fund. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function for the general fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board adopted budget is filed with the Stark County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2002.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures for the general fund and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including the proprietary fund, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pooled bank account is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

Except for nonparticipating investment contracts, investments are reported at fair market value which is based on quoted market price. Nonparticipating investment contract such as repurchase agreements are reported at cost.

The School District invested funds in the State Treasury Asset Reserve of Ohio ("STAR Ohio") during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, food service enterprise fund and non-expendable trust fund during fiscal year 2002 amounted to \$60,365, \$2,623 and \$251, respectively. The general fund's interest allocation includes \$15,619 assigned from other school district funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 and cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the proprietary fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consists of donated food, purchased food and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of seven years for furniture and equipment.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside for a textbook purchase reserve. The reserve is required by State statute and can be spent only on areas set by the State Statute. A fund balance reserve has also been established. (See Note 20)

H. 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 payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than two months after year-end are generally considered not to have been paid with current available financial resources. Long-term debt and other obligations financed by the proprietary fund is reported as liabilities in the proprietary fund.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Estimates

The preparation of the 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 the accompanying notes. Actual results could differ from estimates.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, textbook, trust principal and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Memorandum Only - Totals Columns

Total columns on the general purpose financial statements are captioned "Totals(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Fund Deficits

The Drug Free and Title VI-R special revenue funds and OSFC Building - New HS capital projects fund had deficit balances at June 30, 2002 of \$4,218, \$501 and \$156,887, respectively. The deficit balances resulted from adjustments for accrued liabilities.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Enterprise Funds and Non-Expendable Trust Fund are 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 that:

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For the proprietary fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

*Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types*

	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>
<i>GAAP Basis</i>	\$68,552	\$56,422	(\$163,935)
Net Adjustment for Revenue Accruals	21,581	(100,021)	11,500
Advances In	4,000	46,678	0
Net Adjustment for Expenditure Accruals	71,381	13,265	156,887
Advances Out	(46,678)	(4,000)	0
Adjustment for Encumbrances	(269,392)	(66,142)	(423,513)
<i>Budget Basis</i>	(\$150,556)	(\$53,798)	(\$419,061)

*Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type and Non-Expendable Trust Fund*

	<i>Enterprise</i>	<i>Non-Expendable Trust</i>
<i>GAAP Basis</i>	(\$6,152)	(\$249)
Net Adjustment for Revenue Accruals	(10,099)	0
Net Adjustment for Expenditure Accruals	3,645	0
Capital Outlay	(3,610)	0
Depreciation Expense	4,644	0
Adjustment for Encumbrances	(651)	(500)
<i>Budget Basis</i>	(\$12,223)	(\$749)

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as a 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 moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities ;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does 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 (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

During fiscal year 2002, the School District's investments were limited to an overnight repurchase agreement and STAR Ohio.

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was (\$27,494) and the bank balance was \$120,962. \$100,000 of the bank balance was covered by federal depository insurance. \$20,962 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<i>Category 3</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Repurchase Agreement	\$96,351	\$96,351	\$96,351
STAR Ohio		2,279,524	2,279,524
<i>Totals</i>		\$2,375,875	\$2,375,875

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<i>Cash and Cash Equivalents</i>	<i>Investments</i>
<i>GASB Statement No. 9</i>	\$2,348,381	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(96,351)	96,351
STAR Ohio	(2,279,524)	2,279,524
<i>GASB Statement No. 3</i>	(\$27,494)	\$2,375,875

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes, attached as a lien on December 31 of the prior year were levied April 1, and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Stark and Wayne Counties. The county auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$68,840 for the general fund.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$117,546,510	84.73%	\$122,504,160	86.81%
Public Utility Personal	13,536,690	9.76	10,896,740	7.72
Tangible Personal Property	<u>7,641,399</u>	<u>5.51</u>	<u>7,722,956</u>	<u>5.47</u>
	<u>\$138,724,599</u>	<u>100.00%</u>	<u>\$141,123,856</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	53.90		53.90	

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 7 - Receivables

Receivables at June 30, 2002, consisted of taxes 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
General Fund:	
Tuition	\$8,869
<i>Total General Fund</i>	8,869
Special Revenue Funds:	
Ohio Reads	43,543
Eisenhower	874
Title I	15,089
Drug Free	4,218
Title VI-B	43,900
<i>Total Special Revenue Funds</i>	107,624
<i>Total Food Service Enterprise Fund</i>	10,099
<i>Total Intergovernmental Receivables</i>	\$126,592

Note 8 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$114,472
Less Accumulated Depreciation	(96,262)
<i>Net Fixed Assets</i>	\$18,210

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	<i>Balance</i> <i>July 1, 2001</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2002</i>
Land, Buildings and Improvements	\$3,414,759	\$0	\$0	\$3,414,759
Vehicles	939,098	176,658	44,500	1,071,256
Furniture, Fixtures and Equipment	1,395,798	197,370	247,844	1,345,324
<i>Total General Fixed Assets</i>	\$5,749,655	\$374,028	\$292,344	\$5,831,339

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. During fiscal year 2002, the School District was a member of The Ohio School Plan ("Plan"), a liability insurance risk pool. The Plan provided liability insurance coverage (See Note 17). The School District contracted with Indiana Insurance Company for property and fleet insurance, commercial crime insurance and inland marine coverage.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Coverages provided are as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$19,262,831	\$5,000
Inland Marine Coverage	181,163	100
Automobile Liability	1,000,000	500
Uninsured Motorists	1,000,000	0
Commercial Crime Insurance	3,000	100
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0

There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2002, the School District participated in the Stark County Schools Council of Government Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control and actuarial services of the GRP.

The School District has contracted with the Stark County Schools Council of Government Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$600.89 for family coverage and \$246.79 for single coverage per employee per month.

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 300 days of sick leave that may be accumulated for certified employees and 295 days for classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 64 days.

B. Life Insurance

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

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$350,070, \$342,410, and \$332,435, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$87,028 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 4.20 percent. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$64,997, \$47,316, and \$96,089, respectively; 47 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$87,547 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two member of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The STRS board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$165,823, for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, an decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, equaled \$115,942, during the 2002 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 (the latest information available) SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participating currently receiving health care benefits.

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 13 - Capital Leases

In prior years, the School District entered into a capitalized lease for copiers, phone equipment and windows. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined general purpose financial statements of the general fund. The expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of equipment has been capitalized in the general fixed assets group in the amount of \$207,713. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$25,554 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<i>Fiscal Year Ending June 30,</i>	<i>General Long-Term Obligations Account Group</i>
2003	\$31,785
2004	31,785
2005	31,785
2006	24,490
2007	17,194
2008-2011	68,780
<i>Total</i>	205,819
<i>Less: Amount Representing Interest</i>	(40,612)
<i>Present Value of Net Minimum Payments</i>	\$165,207

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2002 were as follows:

	<i>Balance 6/30/01</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance 6/30/02</i>
<i>Compensated Absences</i>	\$605,163	\$0	(\$24,807)	\$580,356
<i>Intergovernmental Payable</i>	55,044	58,184	(55,044)	58,184
<i>Capital Leases:</i>				
<i>Comdoc - Copiers</i>	4,354	0	(4,354)	0
<i>Citibank - Window Replacement</i>	130,000	0	(9,989)	120,011
<i>Banc One - Telephone Equipment</i>	56,407	0	(11,211)	45,196
<i>Total Capital Leases</i>	190,761	0	(25,554)	165,207
<i>Energy Conservation Note 6.95%</i>	46,274	0	(46,274)	0
<i>Total General Long-Term Obligations</i>	\$897,242	\$58,184	(\$151,679)	\$803,747

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Compensated absences and the intergovernmental payable, which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which the employee's salaries are paid.

On December 22, 1992, the School District issued \$346,855 in an energy conservation note for the purpose of providing energy conservation measures for the School District, under the authority of the Ohio Revised Code section 3313.372. The note was issued for a ten year period with final maturity during fiscal year 2002. The energy conservation note is retired from the debt service fund. The capital leases will be paid from the general fund.

The School District's overall legal debt margin was \$12,701,147 at June 30, 2002.

Note 15 - Interfund Transactions

On the combined balance sheet the general fund reported an interfund receivable at June 30, 2002, of \$46,678. The Title VI-B and Drug Free special revenue fund reported an interfund payable of \$42,460 and \$4,218, respectively.

Note 16 - Jointly Governed Organizations

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

The Stark County Area Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Stark County Joint Vocational School, 6805 Richville Drive, S.W., Massillon, Ohio 44646.

Note 17 - Public Entity Risk Pools

The Stark County Schools Council of Government Health Benefit Plan (Council) is a shared risk pool which was created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Hyre and Hylant, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to The Ohio School Plan, Harcum-Hyre Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

Note 18 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

Note 19 - State School Funding Issue

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

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 20 - Set-Asides

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

Tuslaw Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

	<u><i>Textbooks</i></u>	<u><i>Capital Acquisition</i></u>	<u><i>Budget Stabilization</i></u>
Set-aside Cash Balance as of June 30, 2001	\$0	\$0	\$42,655
Current Year Set-Aside	154,929	154,929	0
Reduction Authorized by Legislative Restrictions	0	0	(42,655)
Qualifying Disbursements	<u>(150,050)</u>	<u>(662,217)</u>	<u>0</u>
Set-aside Cash Balance as of June 30, 2002	<u>\$4,879</u>	<u>(\$507,288)</u>	<u>\$0</u>
Set-aside Reserved Balance as of June 30, 2002	<u>\$4,879</u>	<u>\$0</u>	<u>\$0</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amount below zero, this extra amount will not be used to reduce the set-aside requirements of future years. The negative capital acquisition amount is therefore not presented as being carried forward to the next fiscal year. The textbook reserve set-aside cash balance as June 30, 2002 represents unspent reserves of \$4,879. Reserve monies not spent during one fiscal year are required to be carried forward to the next fiscal year.

Note 21 - Subsequent Events

On May 7, 2002 the School District passed a permanent improvement bond issue in the amount of \$15,255,000 to build a new high school. The School District issued bond anticipation notes on July 31, 2002 in the amount of \$15,000,000. On October 10, 2002, the School District issued \$15,000,000 worth of construction bonds. The remaining \$255,000 was issued as long term notes January 20, 2003.

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

<i>Federal Grantor/Pass Through Grantor Program Title</i>	<i>Pass Through Entity Number</i>	<i>Federal CFDA Number</i>	<i>Receipts</i>	<i>Non-Cash Receipts</i>	<i>Expenditures</i>	<i>Non-Cash Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	Not Applicable	10.550	\$0	\$35,205	\$0	\$37,494
National School Lunch Program	Not Applicable	10.555	70,887	0	70,887	0
<i>Total U.S. Department of Agriculture - Child Nutrition Cluster</i>			<u>70,887</u>	<u>35,205</u>	<u>70,887</u>	<u>37,494</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Grants to States	049957-6B-SF-01P 049957-6B-SF-02P	84.027	0 63,690	0 0	3,687 106,150	0 0
<i>Total Special Education Grants to States</i>			<u>63,690</u>	<u>0</u>	<u>109,837</u>	<u>0</u>
Title I Grants to Local Educational Agencies	049957-C1-S1-01 049957-C1-S1-02	84.010	11,619 231,276	0 0	46,989 191,269	0 0
<i>Total Title I Grants to Local Educational Agencies</i>			<u>242,895</u>	<u>0</u>	<u>238,258</u>	<u>0</u>
Innovative Education Program Strategies	049957-C2-S1-02	84.298	7,126	0	7,126	0
Safe and Drug Free Schools and Communities State Grant	049957-DR-S1-02	84.186	1,190	0	5,408	0
Class Size Reduction	049957-DR-S1-01	84.340	34,399	0	34,399	0
Eisenhower Professional Development Grant	049957-MS-S1-01 049957-MS-S1-02	84.281	560 6,115	0 0	560 3,993	0 0
<i>Total Eisenhower Professional Development Grant</i>			<u>6,675</u>	<u>0</u>	<u>4,553</u>	<u>0</u>
<i>Total U.S. Department of Education</i>			<u>355,975</u>	<u>0</u>	<u>399,581</u>	<u>0</u>
Totals			<u>\$426,862</u>	<u>\$35,205</u>	<u>\$470,468</u>	<u>\$37,494</u>

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

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had \$7,844 in food commodities inventory.



**Auditor of State
Betty Montgomery**

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

Tuslaw Local School District
Stark County
1723 Manchester Avenue N.W.
Massillon, OH 44647

To the Board of Education:

We have audited the general purpose financial statements of the Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 29, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 29, 2003.

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

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

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

Betty Montgomery
Auditor of State

January 29, 2003



**Auditor of State
Betty Montgomery**

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

Tuslaw Local School District
Stark County
1723 Manchester Avenue N.W.
Massillon, OH 44647

To the Board of Education:

Compliance

We have audited the compliance of Tuslaw Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 29, 2003.

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

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

Betty Montgomery
Auditor of State

January 29, 2003

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
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TUSLAW LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2003**