

**TALLMADGE CITY SCHOOL DISTRICT**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Tallmadge City School District, Summit County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 13, 2007

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**TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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

**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Tallmadge City School District  
Tallmadge, Ohio 44278

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2007, on our consideration of Tallmadge City School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to opine of the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
February 1, 2007

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**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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This discussion and analysis of Tallmadge City School District's financials provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; for a more in-depth understanding of the finances of the District readers are encouraged to review the financial statements along with the notes to the basic financial statements.

### **Financial Highlights**

Key financial highlights for 2006 are as follows:

- General revenues accounted for \$26,960,415 in revenue or 90 percent of all operating revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$2,830,160 or 10 percent of total operating revenues of \$29,790,575.
- The District had \$27,996,016 in expenses related to governmental activities; only \$2,830,160 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$26,960,415 were adequate to provide for these programs.
- The increase in net capital assets was due in large part to the purchase of three new buses, and the ongoing building program with \$1,565,768 of construction in progress. The district will continue with its building program and plans on the completion of the new high school in time for the opening of the 2008-09 school year.

### **Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one "other" column. In the case of Tallmadge City School District, the general fund is the most significant operating fund of the district. In addition the building fund is considered a major fund in the financial picture since the passage of the bond levy in November of 2004.

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## **Reporting the School District as a Whole**

### *Statement of Net Assets and the Statement of Activities*

While these statements contain information about the large number of funds used by the District to provide for programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

The District's statement of net assets and statement of activities can be found on pages 12 and 13 of this report.

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

The analysis of the District's major funds begins on **page 8**. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund

**Tallmadge City School District**  
Management's Discussion and Analysis  
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statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 14-18 of this report.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2006 compared to 2005:

**Table 1**  
**Net Assets**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Current and other assets	\$ 54,444,231	\$ 54,505,223
Capital assets, net of depreciation	9,306,289	7,997,604
Total assets	63,750,520	62,502,827
Liabilities		
Current and other liabilities	17,200,402	17,248,002
Long-term liabilities:		
Due within one year	944,743	860,204
Due in more than one year	31,451,964	32,035,769
Total liabilities	49,597,109	50,143,975
Net Assets		
Invested in capital assets, net of debt	8,338,160	7,585,112
Restricted	3,321,579	2,336,348
Unrestricted	2,493,672	2,437,392
Total net assets	\$ 14,153,411	\$ 12,358,852

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Management's Discussion and Analysis  
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Table 2 shows a comparison of net assets for fiscal year 2006 to fiscal 2005.

**Table 2**  
**Governmental Activities**

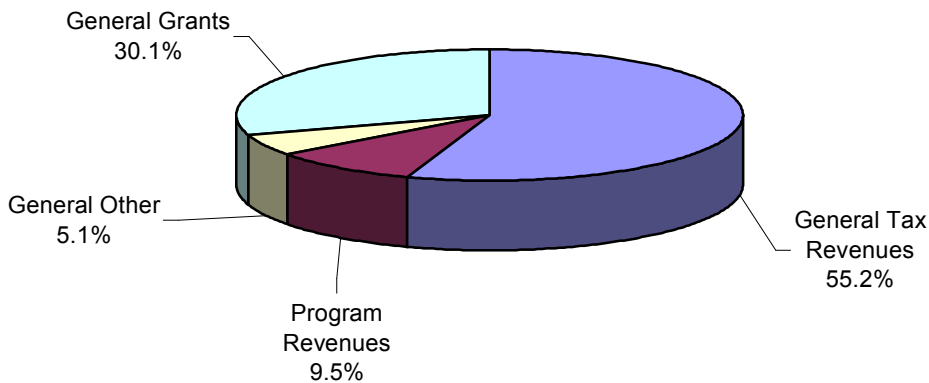
	<b>2006</b>	<b>2005</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,385,353	\$ 1,186,014
Operating grants, contributions and interest	1,208,611	1,290,146
Capital grants and contributions	236,196	167,435
Total Program Revenues	2,830,160	2,643,595
General revenues:		
Property taxes	16,447,939	14,852,565
Grants and entitlements	8,973,053	8,925,251
Investment earnings	1,526,033	490,058
Miscellaneous	13,390	81,253
Total General Revenues	26,960,415	24,349,127
Total Revenues and Transfers	29,790,575	26,992,722
<b>Program Expenses</b>		
Instruction:		
Regular	12,526,766	12,319,083
Special	2,509,047	2,431,656
Vocational	824,410	642,684
Adult/continuing	39,912	47,547
Support services:		
Pupil	1,544,991	1,402,851
Instructional staff	637,387	777,877
Board of education	31,713	23,113
Administration	1,979,750	2,253,586
Fiscal	736,630	691,005
Business	143,444	136,124
Operation and maintenance of plant	2,091,637	1,740,541
Pupil transportation	1,618,952	1,536,713
Central	261,196	280,200
Operation non-instructional services	608,957	633,145
Extracurricular activities	969,225	986,975
Interest and fiscal charges	1,471,999	461,866
Total program expenses	27,996,016	26,364,966
Change in net assets	1,794,559	627,756
Net Assets Beginning of Year	12,358,852	11,731,096
Net Assets End of Year	\$ 14,153,411	\$ 12,358,852

**Tallmadge City School District**  
Management's Discussion and Analysis  
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***Governmental Activities***

Tallmadge City School District depends on both property taxes and State funding. The voters of the District passed a five-year operating levy in May, 2001 for 7.5 mills. The annual revenue from this levy approximates \$2,829,946.



The District's reliance upon tax revenues is demonstrated by the graph above that indicates 55.2% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$25 million dollars of support as well as the graph indicating general revenues comprise 90.5% of total revenues.

The dependence on property taxes continues. The community has supported the Tallmadge City School District by a history of voter approval of operating levies. The most recent passage of a 7.5 mill five-year operating levy (May 2001) comprises 19.5% of the total voted general tax revenue for the District. At the time of preparation of this document the district was successful in the renewal of this levy in November 2006.

Instruction comprises 56.8% of governmental program expenses. Historically, the District has promoted excellence in educational programs by the allocation of resources in all instructional areas.

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

**Tallmadge City School District**  
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Unaudited

Table 3  
Governmental Activities

	<u>Total Cost</u> <u>of Services</u> <u>2006</u>	<u>Net Cost</u> <u>of Services</u> <u>2006</u>	<u>Total Cost</u> <u>of Services</u> <u>2005</u>	<u>Net Cost</u> <u>of Services</u> <u>2005</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$ 12,526,766	\$ 11,965,533	\$ 12,319,083	\$ 11,755,096
Special	2,509,047	2,086,592	2,431,656	2,056,151
Vocational	824,410	801,965	642,684	630,192
Adult/continuing	39,912	(3,299)	47,547	15,342
Support services:				
Pupils	1,544,991	1,298,575	1,402,851	1,214,755
Instructional staff	637,387	481,513	777,877	560,204
Board of education	31,713	26,042	23,113	22,662
Administration	1,979,750	1,819,493	2,253,586	2,050,632
Fiscal	736,630	517,117	691,005	589,247
Business	143,444	139,541	136,124	133,471
Operation and maintenance of plant	2,091,637	2,009,980	1,740,541	1,682,583
Pupil transportation	1,618,952	1,485,926	1,536,713	1,417,971
Central	261,196	254,084	280,200	274,737
Operation non-instructional services	608,957	32,025	633,145	66,188
Extracurricular activities	969,225	778,770	986,975	790,274
Interest and fiscal charges	1,471,999	1,471,999	461,866	461,866
 Total expenses	 <u>\$ 27,996,016</u>	 <u>\$ 25,165,856</u>	 <u>\$ 26,364,966</u>	 <u>\$ 23,721,371</u>

### **The School District's Fund**

The District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$29,780,060 and total expenditures were \$29,310,540. The District finances remain stable, however with the lack of a proper funding formula and support from the State, the District will be seeking additional funding within the next 3 years.

### **General Fund Budgeting Highlights**

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

During fiscal year 2006, the District from time to time amended its general fund budget with minor modifications. Budget revisions are presented to the Board of Education for approval.

**Tallmadge City School District**  
Management's Discussion and Analysis  
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For the general fund, the budget basis revenue estimate was \$23,385,350. The final actual revenue was \$23,671,807 which is \$286,457 higher than the original estimate.

The original expenditures were estimated to be \$25,178,977. This figure was revised slightly over the fiscal year. Actual expenditures, however, were only \$23,637,872, \$1,552,493 less than originally anticipated. This was due in large part to the conservative approach by the district in their spending patterns in an attempt to stretch the 7.5 mill operating levy beyond its five year cycle so as to minimize the need for an additional local tax levy.

The District's net change in general fund balance was a decrease of \$466,065. This decrease was far better than the original anticipated drop of (\$1,834,802). This was due to the tightening of the budget as it became increasingly obvious that the State was going to be making some drastic changes in the way it funded schools in the years to come, which will have a negative impact on school districts throughout the State of Ohio.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2006, the School District had \$9,306,289 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005:

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

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 3,354,650	\$ 3,354,650
Construction in Progress	1,565,768	402,131
Buildings and Improvements	3,320,484	3,426,985
Furniture and Equipment	468,565	289,440
Vehicles	596,822	524,398
Total capital assets	\$ 9,306,289	\$ 7,997,604

See **Note 9** to the basic financial statements for detail on the District's capital assets.

**Tallmadge City School District**  
 Management's Discussion and Analysis  
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***Debt***

At June 30, 2006 the School District had \$59,000 in notes outstanding with \$59,000 due within one year. The District also had all of its bonds, (\$29,640,000) which were sold on April 26, 2005, outstanding. Principal due on the bonds within one year totals \$620,000. Table 5 summarizes the bonds and notes outstanding.

Table 5  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
2003 Bus Acquisition Bonds	59,000	117,000
2005 Bond Issue - HS Building Project	<u>29,640,000</u>	<u>30,190,000</u>
Total Outstanding Debt	<u>\$ 29,699,000</u>	<u>\$ 30,307,000</u>

The 2003 Bus Acquisition Bonds were issued in August 2003. The HS Building Project Bonds were issued April of 2005 due to the passage of the Bond Issue Levy on November 2, 2004. The levy was a 4.69 mill \$30,500,000 issue. The total bond indebtedness resulted in \$30,190,000 due to bonds being sold at a premium and generating enough funding to retire the notes.

At June 30, 2006, the District's overall legal debt limitation was \$38,599,723, based on nine percent of the taxable valuation, with an unvoted debt margin of \$428,885. The District's current rating as issued by Standard & Poor's is AAA (Insured) with an A+ (Underlying) rating. See **Note 14** to the basic financial statements for detail on the School District's long-term obligations.

**Current Issues Affecting Financial Condition**

With the passage of the May 2001, 7.5 mill, five year operating levy, the District has experienced 5 years of solid financial stability. This operating levy combined with prior taxpayer initiatives, provides the necessary funds for the District to manage its educational program and facilities. The District renewed its 1.25 mill permanent improvement levy on November 8<sup>th</sup>, 2005 for another five years. However, the future financial stability of the District is not without challenges. FY 06 was the first year since the passage of the 2001 levy that expenditures have outpaced revenue. The district has not seen an increase in state funding for the past 3 years. FY-08 will bring a new State budget under a new governor but a new influx of school funding dollars is not anticipated. That, along with the effects of HB 920 limiting local tax growth, and the accelerated phase out of personal tangible property tax, the need for additional local operating dollars within the next three years is imminent.



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Ensuring that resources are preserved for as long as possible is the first and foremost challenge. Management, as a tool to manage resources effectively, utilizes the five-year forecast of the general fund to monitor resources and expenditure patterns.

A comprehensive master plan to meet the facility needs of children at all grade levels was developed by a Task Force of sixty citizens and staff. The Ohio School Facilities Commission approval of the master plan was secured for facility funding. The district will be eligible to receive a 22% share of funding from the State. A 4.69 mill bond issue for a new high school was formalized and placed on the November 2, 2004 ballot for electorate approval. As mentioned above the issue passed successfully allowing the District to move forward with the local effort of the master plan.

The largest challenge facing the District is the future of State funding. The Ohio General Assembly has been directed to enact a school-funding mechanism that is to be thorough and efficient. The Governor called for the creation of the Blue Ribbon Task Force on Financing Student Success in his 2003 State of the State address. The Task Force was charged with recommending a funding system for public elementary and secondary education in Ohio and appropriate mechanisms for paying for such a system. As of this date it appears that very little has or will be done to implement a thorough and efficient system as mandated in the State's Constitution and reaffirmed by numerous Supreme Court decisions.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. It appears based on the 5-year forecast that the District will be before the voters in 2008 asking for approval of another operating levy. This will be the first request for new operating monies since the passage of the levy in 2001.

### **Contacting the School District's Financial Management**

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

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Net Assets**  
**June 30, 2006**

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$37,788,336
Cash in Segregated Accounts	141,712
Receivables:	
Accounts	1,018
Intergovernmental	152,197
Taxes	16,312,104
Inventory Held for Resale	13,482
Materials and Supplies Inventory	35,382
Non-Depreciable Capital Assets	4,920,418
Depreciable Capital Assets, Net	4,385,871
<i>Total Assets</i>	<u>63,750,520</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	249,394
Accrued Wages and Benefits	1,857,178
Intergovernmental Payable	643,972
Matured Compensated Absences Payable	92,088
Deferred Revenue	14,033,753
Unearned Revenue	4,172
Claims Payable	319,845
Long-Term Liabilities:	
Due Within One Year	944,743
Due In More Than One Year	31,451,964
<i>Total Liabilities</i>	<u>49,597,109</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	8,338,160
Restricted for:	
Debt Service	668,002
Capital Projects	2,128,583
Other Purposes	524,994
Unrestricted	2,493,672
<i>Total Net Assets</i>	<u><u>\$14,153,411</u></u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2006**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>					Governmental Activities
<b>Instruction:</b>					
Regular	\$12,526,766	\$382,699	\$178,534	\$0	(\$11,965,533)
Special	2,509,047	46,218	376,237	0	(2,086,592)
Vocational	824,410	17,541	4,904	0	(801,965)
Adult/Continuing	39,912	6,349	36,862	0	3,299
<b>Support Services:</b>					
Pupils	1,544,991	40,662	205,754	0	(1,298,575)
Instructional Staff	637,387	10,515	145,359	0	(481,513)
Board of Education	31,713	571	5,100	0	(26,042)
Administration	1,979,750	110,426	25,564	24,267	(1,819,493)
Fiscal	736,630	14,983	4,189	200,341	(517,117)
Business	143,444	3,050	853	0	(139,541)
Operation and Maintenance of Plant	2,091,637	47,493	34,164	0	(2,009,980)
Pupil Transportation	1,618,952	112,979	8,459	11,588	(1,485,926)
Central	261,196	5,558	1,554	0	(254,084)
Operation of Non-Instructional Services	608,957	407,357	169,575	0	(32,025)
Extracurricular Activities	969,225	178,952	11,503	0	(778,770)
Interest and Fiscal Charges	1,471,999	0	0	0	(1,471,999)
<b>Totals</b>	<u>\$27,996,016</u>	<u>\$1,385,353</u>	<u>\$1,208,611</u>	<u>\$236,196</u>	<u>(25,165,856)</u>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	14,188,426
Capital Projects	376,151
Debt Service	1,875,877
Other Purposes	7,485
Grants and Entitlements not Restricted to Specific Programs	8,973,053
Investment Earnings	1,526,033
Miscellaneous	13,390
<b>Total General Revenues</b>	<u>26,960,415</u>
Change in Net Assets	1,794,559
<i>Net Assets Beginning of Year</i>	<u>12,358,852</u>
<i>Net Assets End of Year</i>	<u>\$14,153,411</u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,859,761	\$30,666,556	\$1,200,866	\$37,727,183
Receivables:				
Accounts	566	0	452	1,018
Intergovernmental	0	0	152,197	152,197
Taxes	14,104,458	0	2,207,646	16,312,104
Interfund	7,188	0	0	7,188
Inventory Held For Resale	0	0	13,482	13,482
Materials and Supplies Inventory	35,382	0	0	35,382
Advances to Other Funds	574,508	0	0	574,508
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	61,153	0	0	61,153
<i>Total Assets</i>	<u>\$20,643,016</u>	<u>\$30,666,556</u>	<u>\$3,574,643</u>	<u>\$54,884,215</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$31,527	\$200,460	\$17,407	\$249,394
Accrued Wages and Benefits	1,795,358	0	61,820	1,857,178
Interfund Payable	0	0	7,188	7,188
Intergovernmental Payable	624,795	0	19,177	643,972
Matured Compensated Absences Payable	92,088	0	0	92,088
Deferred Revenue	12,675,086	0	2,003,068	14,678,154
Unearned Revenue	0	0	4,172	4,172
<i>Total Liabilities</i>	<u>15,218,854</u>	<u>200,460</u>	<u>2,112,832</u>	<u>17,532,146</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	130,221	1,989,605	76,890	2,196,716
Reserved for Debt Service Principal	0	0	440,317	440,317
Reserved for Property Taxes	1,429,372	0	212,063	1,641,435
Reserved for Bus Purchases	61,153	0	0	61,153
Unreserved:				
Undesignated, Reported in:				
General Fund	3,803,416	0	0	3,803,416
Special Revenue Funds	0	0	405,699	405,699
Capital Projects Funds	0	28,476,491	326,842	28,803,333
<i>Total Fund Balances</i>	<u>5,424,162</u>	<u>30,466,096</u>	<u>1,461,811</u>	<u>37,352,069</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$20,643,016</u>	<u>\$30,666,556</u>	<u>\$3,574,643</u>	<u>\$54,884,215</u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District  
Summit County, Ohio  
Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2006**

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**Total Governmental Funds Balances** \$37,352,069

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

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

Land	3,354,650	
Construction in Progress	1,565,768	
Buildings and Improvements	3,320,484	
Furniture, Fixture and Equipment	468,565	
Vehicles	596,822	
Total	9,306,289	9,306,289

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

Taxes	644,401	
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.

(752,641)

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

Compensated Absences Payable	(2,029,878)	
General Obligation Bonds	(30,366,829)	
Total	(32,396,707)	(32,396,707)

*Net Assets of Governmental Activities*

\$14,153,411

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2006**

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$14,184,630	\$0	\$2,252,895	\$16,437,525
Intergovernmental	9,034,014	0	1,339,710	10,373,724
Interest	419,839	1,094,752	2,073	1,516,664
Tuition and Fees	398,398	0	121,752	520,150
Rent	54,592	0	0	54,592
Extracurricular Activities	60,464	0	325,498	385,962
Gifts and Donations	0	0	55,714	55,714
Customer Sales and Services	0	0	424,649	424,649
Miscellaneous	11,080	0	0	11,080
<i>Total Revenues</i>	<u>24,163,017</u>	<u>1,094,752</u>	<u>4,522,291</u>	<u>29,780,060</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,942,215	0	290,634	12,232,849
Special	2,084,859	0	364,216	2,449,075
Vocational	817,579	0	0	817,579
Adult/Continuing	1,775	0	38,100	39,875
Support Services:				
Pupils	1,316,055	0	206,865	1,522,920
Instructional Staff	483,866	0	157,920	641,786
Board of Education	26,263	0	0	26,263
Administration	1,791,875	0	155,376	1,947,251
Fiscal	677,777	0	32,079	709,856
Business	141,661	0	0	141,661
Operation and Maintenance of Plant	1,797,045	0	33,519	1,830,564
Pupil Transportation	1,369,270	0	118,472	1,487,742
Central	254,559	0	0	254,559
Operation of Non-Instructional Services	0	0	600,412	600,412
Extracurricular Activities	780,707	0	166,030	946,737
Capital Outlay	0	1,351,984	204,694	1,556,678
Debt Service:				
Principal Retirement	58,000	0	550,000	608,000
Interest and Fiscal Charges	2,485	0	1,494,248	1,496,733
<i>Total Expenditures</i>	<u>23,545,991</u>	<u>1,351,984</u>	<u>4,412,565</u>	<u>29,310,540</u>
<i>Excess of Revenues Over Expenditures</i>	<u>617,026</u>	<u>(257,232)</u>	<u>109,726</u>	<u>469,520</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	15,731	15,731
Proceeds from Sale of Capital Assets	2,310	0	0	2,310
Transfers Out	0	0	(15,731)	(15,731)
<i>Total Other Financing Sources (Uses)</i>	<u>2,310</u>	<u>0</u>	<u>0</u>	<u>2,310</u>
<i>Net Change in Fund Balances</i>	619,336	(257,232)	109,726	471,830
<i>Fund Balances Beginning of Year</i>	<u>4,804,826</u>	<u>30,723,328</u>	<u>1,352,085</u>	<u>36,880,239</u>
<i>Fund Balances End of Year</i>	<u>\$5,424,162</u>	<u>\$30,466,096</u>	<u>\$1,461,811</u>	<u>\$37,352,069</u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District  
Summit County, Ohio  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

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**Net Change in Fund Balances - Total Governmental Funds** \$471,830

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

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

Capital Asset Additions	1,589,020	
Depreciation	(280,335)	
Total	1,308,685	1,308,685

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

Property Tax	10,414	
Grants	(11,578)	
Total	(1,164)	(1,164)

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

General Obligation Bonds		608,000
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Some expenses reported in the statement of activities, such as compensated absences and interest on bond payments do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(133,468)	
Interest	24,734	
Total	(108,734)	(108,734)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the government-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

(484,058)

*Change in Net Assets of Governmental Activities*

\$1,794,559

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$13,208,992	\$13,613,436	\$13,687,880	\$74,444
Intergovernmental	9,338,883	8,889,814	9,034,014	144,200
Interest	346,338	346,338	419,839	73,501
Tuition and Fees	341,362	398,584	397,917	(667)
Rent	35,200	35,200	56,092	20,892
Extracurricular Activities	51,600	51,600	60,629	9,029
Miscellaneous	22,578	40,156	11,252	(28,904)
Total Revenues	<u>23,344,953</u>	<u>23,375,128</u>	<u>23,667,623</u>	<u>292,495</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,480,793	12,392,137	11,968,947	423,190
Special	2,263,471	2,263,471	2,048,404	215,067
Vocational	697,920	874,420	822,900	51,520
Adult/Continuing	22,000	10,000	1,775	8,225
Support Services:				
Pupils	1,445,617	1,461,217	1,311,426	149,791
Instructional Staff	542,018	543,959	499,298	44,661
Board of Education	29,728	29,728	27,377	2,351
Administration	2,006,126	1,981,485	1,794,490	186,995
Fiscal	668,359	686,559	681,412	5,147
Business	148,906	148,906	140,160	8,746
Operation and Maintenance of Plant	1,968,429	1,968,538	1,873,498	95,040
Pupil Transportation	1,728,283	1,648,833	1,369,312	279,521
Central	267,263	268,422	263,017	5,405
Extracurricular Activities	849,644	851,270	775,371	75,899
Debt Service:				
Principal	58,000	58,000	58,000	0
Interest	2,420	3,420	2,485	935
Total Expenditures	<u>25,178,977</u>	<u>25,190,365</u>	<u>23,637,872</u>	<u>1,552,493</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,834,024)</u>	<u>(1,815,237)</u>	<u>29,751</u>	<u>1,844,988</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	10,000	10,000	2,310	(7,690)
Refund of Prior Year Expenditures	222	222	1,874	1,652
Advances Out	(10,000)	(500,798)	(500,000)	798
Refund of Prior Year Receipts	(1,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(778)</u>	<u>(490,576)</u>	<u>(495,816)</u>	<u>(5,240)</u>
Net Change in Fund Balance	(1,834,802)	(2,305,813)	(466,065)	1,839,748
Fund Balance at Beginning of Year	6,138,041	6,138,041	6,138,041	0
Prior Year Encumbrances Appropriated	176,384	176,384	176,384	0
Fund Balance at End of Year	<u>\$4,479,623</u>	<u>\$4,008,612</u>	<u>\$5,848,360</u>	<u>\$1,839,748</u>

The notes to the financial statements are an integral part of this statement.



**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Fund Net Assets**  
**Proprietary Fund**  
**June 30, 2006**

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	Internal Service Fund
	Self-Insurance
<b>Assets</b>	
Cash in Segregated Accounts	\$141,712
<i>Total Assets</i>	<u>141,712</u>
<b>Liabilities</b>	
Claims Payable	319,845
Advances From Other Funds	<u>574,508</u>
<i>Total Liabilities</i>	<u>894,353</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u>(752,641)</u>
<i>Total Net Assets</i>	<u><u>(\$752,641)</u></u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2006**

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	Internal Service Fund
	Self-Insurance
<b>Operating Revenues</b>	
Charges for Services	\$2,797,077
Other Revenues	5,778
	<hr/>
<i>Total Revenues</i>	2,802,855
	<hr/>
<b>Operating Expenses</b>	
Purchased Services	367,899
Claims	2,928,083
Other	300
	<hr/>
<i>Total Operating Expenses</i>	3,296,282
	<hr/>
<i>Operating (Loss)</i>	(493,427)
	<hr/>
<b>Non-Operating Revenues</b>	
Interest	9,369
	<hr/>
<i>Total Non-Operating Revenues</i>	9,369
	<hr/>
<i>Change in Net Assets</i>	(484,058)
	<hr/>
<i>Net Assets (Deficit) at Beginning of Year</i>	(268,583)
	<hr/>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>(\$752,641)</u></u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Internal Service Fund
	Self-Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$2,797,077
Cash Payments for Claims	(2,902,773)
Cash Payments for Goods and Services	(367,899)
Other Operating Revenues	5,778
Other Operating Expenses	(300)
<i>Net Cash (Used for) Operating Activities</i>	<u>(468,117)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Advances from Other Funds	574,508
Repayment of Short-Term Loans from Other Funds	(460,504)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>114,004</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	9,369
<i>Net Cash Provided by Investing Activities</i>	<u>9,369</u>
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(344,744)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>486,456</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$141,712</u></u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities</b>	
Operating (Loss)	<u>(\$493,427)</u>
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>25,310</u>
<i>Net Cash (Used for) Operating Activities</i>	<u><u>(\$468,117)</u></u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2006**

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$75,369
Accounts Receivable	<u>33</u>
Total Assets	<u><u>\$75,402</u></u>
<b>Liabilities</b>	
Due to Students	<u>75,402</u>
<i>Total Liabilities</i>	<u><u>\$75,402</u></u>

The notes to the financial statements are an integral part of this statement.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 1 - Description of the School District**

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

The School District is primarily located in Summit County with a small portion located in Portage County and encompasses nearly all of the City of Tallmadge. The School District provides educational services as mandated by state and federal agencies. The Board controls the School District's nine instructional/support facilities staffed by 145 classified employees and 213 certified full-time personnel who provide services to 2,781 students and other community members. The School District currently operates three elementary buildings, one middle school, one high school, an administrative building, an annex, a maintenance garage and a bus garage.

***Reporting Entity***

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

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

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

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology and the Six District Educational Compact which are presented in Note 16 to the basic 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 more significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses.

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

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

**B. Fund Accounting**

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

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

**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.

**Building Fund** The Building Fund is a fund provided to account for monies received and expended in connection with contracts to build new school buildings.

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

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

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District’s only internal service fund is a self-insurance fund that accounts for medical/surgical, prescription drug and dental claims of the School District’s employees.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

***C. Measurement Focus***

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

***D. Basis of Accounting***

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

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Budgetary Data**

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

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

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

**F. Cash and Cash Equivalents**

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

During fiscal year 2006, investments were limited to a repurchase agreement, STAROhio and negotiable order of withdrawal (NOW) accounts. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2006.

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



**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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

***G. Inventory***

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

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside to create a reserve for budget stabilization and unspent resources restricted for the purchase of buses. See Note 18 for additional information regarding set asides.

***I. Capital Assets***

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25 – 75 years
Furniture, Fixtures and Equipment	10 – 20 years
Vehicles	10 years

***J. Interfund Balances***

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

***K. Compensated Absences***

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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

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

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

***M. Net Assets***

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

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

***N. Fund Balance Reserves***

The School District reserves those 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 appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service principal, property taxes, and school bus purchases.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

***P. Interfund Activity***

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

***Q. Estimates***

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

**Note 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2006, the District has implemented GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” which establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. The implementation of GASB 46 had no material effect on the financial statements as they were previously reported as of June 30, 2006. In addition, the District implemented GASB Statement No. 47, “Accounting for Termination Benefits” which establishes standards of accounting and financial reporting for termination benefits. The implementation of GASB 46 had no material effect on the financial statements as they were previously reported as of June 30, 2006.

**Note 4 – Accountability and Compliance**

***Accountability***

At June 30, 2006, the following funds reported deficits in fund balance on the GAAP basis:

Fund	Deficit
Special Revenue Funds	
Ohio Reads	(\$512)
Title VI-B	(22,434)
Entry Year Programs	(4,973)
Title I	(29,940)
Class Size Reduction Grant	(8,007)
Internal Service Fund	
Self Insurance	(727,331)

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

At June 30, 2006, the following funds reported deficits in fund balance on the budgetary basis:

Fund	Deficit
Special Revenue Funds	
Entry Year Programs	(\$6,400)
Title VI-B	(17,497)
Ohio Reads	(5,009)
Title I	(4,462)
Class Size Reduction Grant	(1,873)

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 5 - Budgetary Basis of Accounting**

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

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

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

	Net Change in Fund Balance
GAAP Basis	\$619,336
Revenue Accruals	(493,520)
Expenditure Accruals	(746,135)
Encumbrances	154,254
Budget Basis	(\$466,065)

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

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

**Deposits** At fiscal year end, the School District had \$3,180 in undeposited cash on hand, which is included on the Basic Financial Statements as part of "Equity in Pooled Cash and Cash Equivalents". The carrying amount of the School District's deposits was \$(248,462) and the bank balance was \$13,630. Of the bank balance, \$13,630 was covered by federal depository insurance.

**Investments** All interest is legally required to be placed in the General fund, the Food Service special revenue fund, Building Fund capital projects fund, and the Self-Insurance internal service fund. Due to these provisions, the General fund received \$419,839, the Food Service fund received \$2,073, and the Internal Service fund received \$9,369 of which \$174,955, \$251, and \$7,516, respectively, were assigned from other School District funds.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
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As of June 30, 2006, the School District had the following investments and maturities:

Investment Type	Fair Value	<u>Investment Maturity</u> Less than One Year
Repurchase Agreements	\$885,000	\$885,000
Charter One NOW Accounts	19,171,292	19,171,291
Morgan Bank	3,114,465	3,114,465
Seasongood Investments	15,032,624	15,032,624
STAROhio	47,318	47,318

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

Credit Risk. As of June 30, 2005, the School District's investment in Charter One, Morgan Bank, Seasongood Investments, and STAROhio were rated AA-/Stable/A-/+ and AAAM, respectively by Standard & Poor's.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities for the School District's repurchase agreements are held by First Merit Bank in the name of the School District.

Concentration of Credit Risk. The School District places no limit on the amount the School District may invest in any one issuer. More than five percent of the School District's investments are in NOW accounts (96 percent).

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at eighteen and three quarters percent of true value for capital assets and inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the

**Tallmadge City School District**  
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*For the Fiscal Year Ended June 30, 2006*

first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officers and County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, though not intended to finance fiscal year 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only a portion of the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$1,429,372 in the general fund, \$36,704 in the permanent improvement capital projects fund and \$175,359 in the Bond Retirement Fund. These are recognized as revenue on the fund financial statements.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

Category	<u>2005 Second Half</u>		<u>2006 First Half</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Real Property Valuation:				
Agricultural/Residential and				
Other Real Estate	\$365,738,390	88.97%	\$395,268,930	91.36%
Public Utilities	7,517,480	1.83%	6,592,040	1.52%
Tangible Personal	37,835,672	9.20%	30,794,590	7.12%
Total Valuation	<u>\$411,091,542</u>	<u>100.00%</u>	<u>\$432,655,560</u>	<u>100.00%</u>

**Note 8 - Receivables**

Receivables at June 30, 2006 consisted of taxes, accounts (student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I	\$33,867
Title VI-B	72,408
Class Size Reduction Grant	19,847
Ohio Reads	1,596
Misc. Federal Grants	21
Food Services	18,058
Entry Year Programs	6,400
Total	<u>\$152,197</u>

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
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**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 07/01/2005	Additions	Deductions	Balance 06/30/2006
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$3,354,650	\$0	\$0	\$3,354,650
Construction in Progress	402,131	1,163,637	0	1,565,768
Total Capital Assets, Not Being Depreciated	<u>3,756,781</u>	<u>1,163,637</u>	<u>0</u>	<u>4,920,418</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	10,043,055	0	0	10,043,055
Furniture, Fixtures and Equipment	1,146,645	246,223	0	1,392,868
Vehicles	2,115,916	179,160	0	2,295,076
Total Capital Assets, Being Depreciated	<u>13,305,616</u>	<u>425,383</u>	<u>0</u>	<u>13,730,999</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(6,616,070)	(106,501)	0	(6,722,571)
Furniture, Fixtures and Equipment	(857,205)	(67,098)	0	(924,303)
Vehicles	(1,591,518)	(106,736)	0	(1,698,254)
Total Accumulated Depreciation	<u>(9,064,793)</u>	<u>(280,335) *</u>	<u>0</u>	<u>(9,345,128)</u>
Total Capital Assets Being Depreciated	<u>4,240,823</u>	<u>(280,335)</u>	<u>0</u>	<u>4,385,871</u>
Governmental Activities Capital Assets, Net	<u>\$7,997,604</u>	<u>\$1,308,685</u>	<u>\$0</u>	<u>\$9,306,289</u>



**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

\* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$106,586
Special	3,121
Vocational	1,973
Support Services:	
Pupils	1,161
Instructional Staff	2,049
Administration	14,335
Fiscal	488
Business	108
Operation and Maintenance of Plant	33,958
Pupil Transportation	104,984
Operation of Non-Instructional Services	7,328
Extracurricular Activities	4,244
Total Depreciation Expense	\$280,335

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The following is a summary of the School District's insurance coverage with Todd & Associates, Inc. as of June 30, 2006:

Coverage	Amount
Buildings and Contents - Replacement Costs	\$48,154,910
Inland Marine	1,381,000
Boiler and Machinery	30,000,000
Crime Insurance	50,000
Automobile Liability	1,000,000
Uninsured Motorists	50,000
General Liability	
Per Occurrence	6,000,000
Total Per Year	6,000,000

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
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***Self-Insurance***

The School District uses an internal service fund to record and report its self-funded health care insurance program. Premium rates are set based on an annual review process with the School District insurance consultant. The Board of Education pays the entire cost of monthly premiums for all full-time employees.

The claims liability of \$319,845 reported in the internal service fund at June 30, 2006 is based on the requirements of GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. The School District purchases stop-loss coverage of \$60,000 per employee annually. Changes in the fund's claims liability in 2005 and 2006 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	\$280,694	\$2,134,546	\$2,120,705	\$294,535
2006	\$294,535	\$2,928,083	\$2,902,773	\$319,845

***Workers' Compensation***

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

**Note 11 - Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute ten 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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$345,295, \$292,178 and \$242,545 respectively; 43.64 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
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***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement options, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005 (the latest information available), plan members were required to contribute 10.0 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$1,625,187, \$1,566,213, and \$1,484,646 respectively; 83.02 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**Note 12 - Postemployment Benefits**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. Currently

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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the STRS Ohio Board allocates employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$125,014 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 (the latest information available), the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005 (the latest information available), net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

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, 2005 (the latest information available), employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005 (the latest information available), the minimum pay has been established as \$27,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2006 fiscal year equaled \$161,343.

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. Net health care costs for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

**Note 13 – Other Employee Benefits**

***A. Compensated Absences***

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

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

***B. Life Insurance***

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

**Note 14 - Debt Obligations**

**B. Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Principal Outstanding 07/01/2005	Additions	Deletions	Principal Outstanding 06/30/2006	Amounts Due in One Year
<b>General Long-Term Obligations:</b>					
2005 \$30,190,000, 4.62%, Maturing on 12/01/2032 School Facilities Bonds	\$30,190,000	\$0	\$(550,000)	\$29,640,000	\$620,000
2003 \$173,000, 2.75%, Maturing on 12/27/2006 Bus Acquisition Bonds	117,000	0	(58,000)	59,000	59,000
Unamortized Premium on Bonds	692,563	0	(24,734)	667,829	
Total General Obligation Bonds	<u>30,999,563</u>	<u>0</u>	<u>(632,734)</u>	<u>30,366,829</u>	<u>679,000</u>
Other Long-Term Obligations:					
Compensated Absences	<u>1,896,410</u>	<u>328,655</u>	<u>(195,187)</u>	<u>2,029,878</u>	<u>265,743</u>
Total General Long-Term Obligations	<u><u>\$32,895,973</u></u>	<u><u>\$328,655</u></u>	<u><u>(\$827,921)</u></u>	<u><u>\$32,396,707</u></u>	<u><u>\$944,743</u></u>

The Bus Acquisition Bonds will be paid from the general fund and the School Facilities Bonds will be paid from the Debt Service Fund. Compensated Absences will be paid from the general and the food service special revenue fund.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2006

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

Fiscal Year Ending June 30,	General Obligation Bonds					
	Bus Acquisition Bonds			School Facilities Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$59,000	\$811	\$59,811	\$620,000	\$1,343,565	\$1,963,565
2008	0	0	0	640,000	1,324,665	1,964,665
2009	0	0	0	660,000	1,305,165	1,965,165
2010	0	0	0	680,000	1,283,365	1,963,365
2011	0	0	0	705,000	1,259,127	1,964,127
2012 - 2016	0	0	0	3,930,000	5,866,069	9,796,069
2017 - 2021	0	0	0	4,820,000	4,935,164	9,755,164
2022 - 2026	0	0	0	6,125,000	3,596,875	9,721,875
2027 - 2029	0	0	0	7,780,000	1,897,012	9,677,012
2032 - 2033	0	0	0	3,680,000	176,354	3,856,354
<b>Total</b>	<b>\$59,000</b>	<b>\$811</b>	<b>\$59,811</b>	<b>\$29,640,000</b>	<b>\$22,987,361</b>	<b>\$52,627,361</b>

The School District's overall legal debt margin at June 30, 2006 was \$38,599,723 with an unvoted debt margin of \$428,885 at June 30, 2006.

**Note 15 - Interfund Transactions**

**A. Interfund Transfers**

Interfund transfers for the year ended June 30, 2006 consisted of the following:

	Transfers In:
	Other
	Governmental
	Funds
Transfers Out:	
Other Governmental Funds	\$15,731

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

**B. Interfund Balance**

	Interfund Receivable
Interfund Payable	General Fund
Other Governmental Funds	\$7,188

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

**Note 16 - Jointly Governed Organizations**

***Northeast Ohio Network for Educational Technology (NEOnet)*** – The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Data Acquisition Site (DAS) used by the School District. NEOnet is an association of public School Districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board made up of superintendents and treasurers from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2005, the School District contributed \$89,385 to NEOnet. Financial information can be obtained by contacting the fiscal agent at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

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

**Note 17 - Contingencies**

**A. Grants**

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, 2006.

**B. Litigation**

As of June 30, 2006, the School District was not party to any legal proceedings.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

**Note 18 - Set-Aside Calculations**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2006, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Materials/ Textbooks	Capital Improvements
Set Aside Cash Balance as of June 30, 2005	(\$954,245)	\$0
Current Fiscal Year Set Aside Requirement	414,913	414,913
Qualifying Expenditures During the Fiscal Year	(605,100)	(420,179)
Total	(\$1,144,432)	(\$5,266)
Set Aside Balance Carried Forward to Future Fiscal Years	(\$1,144,432)	\$0
Set Aside Cash Balance as of June 30, 2006	\$0	\$0

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

**Note 19 - State School Funding Decision**

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

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. "

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Tallmadge City School District  
Tallmadge, Ohio 44278

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tallmadge City School District as of and for the year ended June 30, 2006, and have issued our report thereon dated February 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Tallmadge City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tallmadge City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of Tallmadge City School District in a separate letter dated February 1, 2007.

This report is intended for the information of the District's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
February 1, 2007

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

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

Board of Education  
Tallmadge City School District  
Tallmadge, Ohio 44278

**Compliance**

We have audited the compliance of Tallmadge City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Tallmadge City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tallmadge City School District management. Our responsibility is to express an opinion on Tallmadge City School District's compliance based on our audit.

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

In our opinion, the Tallmadge City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Tallmadge City School 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 Tallmadge City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
February 1, 2007

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

**1. Summary of Auditor's Results**

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Special Education; CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

**3. Findings and Questioned Costs for Federal Awards**

NONE

**TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Lunch Program	n/a	10.555	124,836	-	124,836	-
Total Nutrition Cluster			124,836	-	124,836	-
Food Distribution Program	n/a	10.550	-	32,370	-	32,370
<b>Total U.S. Department of Agriculture</b>			124,836	32,370	124,836	32,370
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	44883C1S105	84.010	18,686	-	20,728	-
	44883C1S106		162,792	-	167,623	-
	44883C1SN05		6,195	-	9,146	-
	44883C1SN06		15,086	-	14,093	-
			202,759	-	211,590	-
Title VI-B Special Education Assistance for handicapped Children	448836BSD05	84.027	6,712	-	6,929	-
	448836BSD06		10,811	-	11,250	-
	448836BSF05		475,541	-	475,532	-
	448836BSF06		(2,952)	-	52,396	-
			490,112	-	546,107	-
Drug Free School Program	44883DRS106	84.186	9,227	-	8,837	-
			9,227	-	8,837	-
Innovative Education Program Strategies	44883C2S106	84.298	7,962	-	7,962	-
			7,962	-	7,962	-
Technology Literacy Challenge	44883TJS106	84.318	3,087	-	3,108	-
			3,087	-	3,108	-
Advanced Placement Program	44883AVAM03	84.330	2,442	-	-	-
			2,442	-	-	-
Improving Teacher Quality State Grant	44883TRS105	84.367	9,576	-	13,844	-
	44883TRS106		59,769	-	61,497	-
			69,345	-	75,341	-
Pass through Six District Educational Compact:						
Vocational Education - Basic Grants to States	CTPD-Various	84.048	2,800	-	-	-
			2,800	-	-	-
Title III Limited English Proficiency		84.194	3,159	-	3,159	-
			3,159	-	3,159	-
<b>Total U.S. Department of Education</b>			790,893	-	856,104	-
<b>Total Federal Awards Expenditures</b>			915,729	32,370	980,940	32,370

See notes to Schedule of Federal Awards Expenditures.

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

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with the State Grants. It is assumed that federal monies are expended first.



**Mary Taylor, CPA**  
Auditor of State

**TALLMADGE CITY SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2007**