



Auditor of State
Betty Montgomery

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tuslaw Local School District, Stark County, Ohio, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In addition, as described in Note 2J, the District increased its capitalization threshold for capital assets from \$500 to \$2,000 during the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

February 25, 2004

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of Tuslaw Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2003 are as follows:

- In total, net assets increased by \$856,318.
- Revenues for governmental activities totaled \$10,921,533 in 2003. Of this total, 88 percent consisted of General revenues while Program revenues accounted for the balance of 12 percent.
- Program expenses totaled \$10,065,215. Instructional expenses made up 51 percent of this total while support services accounted for 32 percent. Other expenses rounded out the remaining 17 percent.
- Outstanding general obligation debt increased to \$15,255,000. The proceeds of the issuance is for a new high school as well as renovations to the existing high school.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<i>2003</i>	<i>2002</i>
Assets		
Current and Other Assets	\$21,756,042	\$6,205,814
Capital Assets, Net	4,213,754	2,485,044
<i>Total Assets</i>	<i>25,969,796</i>	<i>8,690,858</i>
Liabilities		
Current and Other Liabilities	5,851,763	4,739,837
Long-term Liabilities		
Due Within One Year	497,449	88,755
Due in More than One Year	15,592,155	690,155
<i>Total Liabilities</i>	<i>21,941,367</i>	<i>5,518,747</i>
Net Assets		
Invested in Capital Assets, Net of Debt	2,303,277	2,319,837
Restricted	845,247	99,198
Unrestricted (Deficit)	879,905	753,076
<i>Total Net Assets</i>	<i>\$4,028,429</i>	<i>\$3,172,111</i>

Total assets increased by \$16,422,620. Cash and cash equivalents increased by \$14,491,520. The increase is attributed to the issuance of bonded debt for the new facility capital project. As of June 30, 2003, the School District was in the planning stage and only a small amount of the proceeds of debt had been spent on the project for architect fees. A large portion of the remaining increase can be attributed to increased capital assets due to the purchase of land and construction in progress.

Total liabilities increased by \$16,422,620. During the fiscal year the School District issued \$15,255,000 in new debt. Repayment of the debt will not begin until the next fiscal year and will be repaid over a twenty-eight year period. Contracts payable increased by \$254,094 due to the new facility capital project. The other notable area of increase was deferred revenue due to anticipated increases in tax collections.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$856,318.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$9,608,771 or 88 percent of the total revenue. The most significant portion of the general revenue is local property tax and state support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,312,762 or only 12 percent of total revenue.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	<i>Governmental Activities 2003</i>
Revenues	
Program Revenues:	
Charges for Services	\$846,051
Operating Grants and Contributions	466,711
<i>Total Program Revenues</i>	<i>1,312,762</i>
General Revenues:	
Property Taxes	4,115,823
Grants and Entitlements	4,676,576
Investments	341,712
Miscellaneous	474,660
<i>Total General Revenues</i>	<i>9,608,771</i>
<i>Total Revenues</i>	<i>10,921,533</i>
Program Expenses	
Instruction	
Regular	3,900,113
Special	1,078,518
Vocational	134,880
Support Services:	
Pupil	389,090
Instructional Staff	277,582
Board of Education	13,127
Administration	790,755
Fiscal	262,447
Business	24,808
Operation and Maintenance	773,513
Pupil Transportation	743,573
Operating of Non-Instructional Services	396,984
Extracurricular Activities	490,068
Interest and Fiscal Charges	789,757
<i>Total Program Expenses</i>	<i>10,065,215</i>
<i>Increase in Net Assets</i>	<i>\$856,318</i>

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District has a continuing levy for a total of 7.5 mills, which currently generates an estimated \$691,000 in revenues and is up for renewal in 2007. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 51 percent of the School Districts expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 32 percent. The remaining amount of program expenses, 17 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

Actual expenses were consistent with expectations and the School District even exhibited an increase in net assets in 2003 of \$856,318. This increase was primarily due to increased property tax revenues due to construction of housing developments.

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

Table 3
Governmental Activities

	<i>Total Cost of Services 2003</i>	<i>Net Cost of Services 2003</i>
Instruction		
Regular	\$3,900,113	\$3,829,576
Special	1,078,518	535,093
Vocational	134,880	134,880
Support Services:		
Pupil	389,090	378,567
Instructional Staff	277,582	270,433
Board of Education	13,127	13,127
Administration	790,755	785,701
Fiscal	262,447	262,447
Business	24,808	24,808
Operation and Maintenance	773,513	773,513
Pupil Transportation	743,573	743,573
Operation of Non-Instructional Services	396,984	3,603
Extracurricular Activities	490,068	207,375
Interest and Fiscal Charges	789,757	789,757
<i>Total</i>	<i>\$10,065,215</i>	<i>\$8,752,453</i>

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 41 percent of total costs are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 46 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 13 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major funds can be found on page 23 and 24 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$41,487,956 and expenditures and other financing uses of \$26,984,256. The General Fund balance increased \$235,008 due to increased property tax revenue and decreased spending by the School District. The \$266,781 increase in fund balance in the debt service fund was due to first year collections of property taxes to retire bonded debt. The new facility capital projects fund balance increased by \$14,057,174 due to the issuance of debt to build the new high school.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the School District amended its general fund budget numerous times, none significant. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the final budget basis revenue estimate totaled \$8,236,050; no modifications were made to the revenues and other financing sources during the fiscal year. The budget basis expenditures and other financing uses estimate totaled \$9,032,358 compared to original estimates of \$8,421,224. The increase in the budget can be attributed to the purchase of an additional special education bus and the employment of staff to service special education students.

The School District's unencumbered ending cash balance totaled \$1,783,208, which was above the original budgeted amount, due to lower actual expenditures than budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the School District had \$4,213,754 invested in land, construction in progress, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2003 values compared to 2002.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

	<i>Governmental Activities</i>	
	<i>2003</i>	<i>2002</i>
Land	\$463,782	\$63,782
Construction in Progress	1,220,412	0
Buildings and Improvements	3,472,434	3,372,434
Furniture and Fixtures	577,463	548,510
Vehicles	1,072,084	1,064,418
Accumulated Deprecation	(2,592,421)	(2,564,099)
<i>Totals</i>	\$4,213,754	\$2,485,045

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

Debt

At June 30, 2003 the School District had \$15,000,000 in bonded debt and \$255,000 in note debt outstanding. Table 5 below summarizes the School District's debt outstanding.

Table 5
Outstanding Debt, at Year End

	<i>Governmental Activities</i>	
	<i>2003</i>	<i>2002</i>
New Facility Capital Projects Bonds	\$15,000,000	\$0
Notes Payable	255,000	0
<i>Totals</i>	\$15,255,000	\$0

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

The School District exceeds its overall debt limitation. The school district requested and obtained consent to become a special needs district, thereby permitting the incurrence of additional debt based upon projected ten year growth of the school district's assessed valuation, as permitted by the Ohio Revised Code Section 133.06(E). For more information on debt refer to Note 17 of the basic financial statements.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

School District Outlook

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

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

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

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

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

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

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Contacting the School District's Financial Management

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

Tuslaw Local School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$16,743,840
Inventory Held for Resale	10,669
Materials and Supplies Inventory	12,341
Accrued Interest Receivable	50,661
Accounts Receivable	2,839
Intergovernmental Receivable	106,745
Prepaid Items	13,909
Taxes Receivable	4,815,038
Non-Depreciable Capital Assets	1,683,949
Depreciable Capital Assets, net	2,529,805
<i>Total Assets</i>	<u><u>25,969,796</u></u>
<i>Liabilities</i>	
Accounts Payable	92,472
Accrued Wages and Benefits	668,746
Contracts Payable	417,286
Intergovernmental Payable	242,204
Accrued Interest Payable	47,347
Deferred Revenue	4,383,708
Long-Term Liabilities:	
Due Within One Year	497,449
Due in More Than One Year	15,592,155
<i>Total Liabilities</i>	<u><u>21,941,367</u></u>
<i>Net Assets</i>	
Invested in Capital Assets, Net of Related Debt	2,303,277
Restricted for Debt Service	292,690
Restricted for Capital Outlay	374,539
Restricted for Other Purposes	178,018
Unrestricted	879,905
<i>Total Net Assets</i>	<u><u>\$4,028,429</u></u>

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	<u>Program Revenues</u>		<i>Net(Expense) Revenue and Changes in Net Assets</i>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	
Governmental Activities			
Instruction:			
Regular	\$3,900,113	\$0	\$70,537
Special	1,078,518	178,078	365,347
Vocational	134,880	0	0
Support Services:			
Pupils	389,090	0	10,523
Instructional Staff	277,582	0	7,149
Board of Education	13,127	0	0
Administration	790,755	0	5,054
Fiscal	262,447	0	0
Business	24,808	0	0
Operation and Maintenance of Plant	773,513	0	0
Pupil Transportation	743,573	0	0
Operation of Non-Instructional Services	396,984	393,381	0
Extracurricular Activities	490,068	274,592	8,101
Interest and Fiscal Charges	789,757	0	0
Totals	<u><u>\$10,065,215</u></u>	<u><u>\$846,051</u></u>	<u><u>\$466,711</u></u>

General Revenues

Property Taxes Levied for:

General Purposes	3,588,427
Debt Service	527,396
Grants and Entitlements not Restricted to Specific Programs	4,676,576
Investment Earnings	341,712
Miscellaneous	474,660

Total General Revenues 9,608,771

Change in Net Assets 856,318

Net Assets Beginning of Year - Restated (See Note 3) 3,172,111

Net Assets End of Year \$4,028,429

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District

*Balance Sheet
Governmental Funds
June 30, 2003*

	General Fund	Bond Retirement Fund	New Facility Capital Projects Fund
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,982,807	\$192,441	\$14,260,607
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	11,381	0	0
Accrued Interest Receivable	0	0	50,661
Accounts Receivable	2,839	0	0
Interfund Receivable	9,564	0	0
Intergovernmental Receivable	72,136	0	0
Prepaid Items	13,909	0	0
Taxes Receivable	3,831,305	983,733	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	34,100	0	0
Total Assets	\$5,958,041	\$1,176,174	\$14,311,268
Liabilities			
Accounts Payable	\$91,547	\$0	\$0
Accrued Wages and Benefits	613,185	0	0
Contracts Payable	0	0	410,981
Interfund Payable	0	0	0
Intergovernmental Payable	149,149	0	0
Deferred Revenue	3,590,345	909,393	0
Total Liabilities	4,444,226	909,393	410,981
Fund Balances			
Reserved for Encumbrances	133,208	0	1,804,226
Reserved for Property Taxes	240,960	74,340	0
Reserved for Textbooks	34,100	0	0
Unreserved, Undesignated, Reported in:			
General Fund	1,105,547	0	0
Special Revenue Funds	0	0	0
Debt Service Fund	0	192,441	0
Capital Projects Funds	0	0	12,096,061
Total Fund Balances	1,513,815	266,781	13,900,287
Total Liabilities and Fund Balances	\$5,958,041	\$1,176,174	\$14,311,268

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>	<i>Total Governmental Fund Balances</i>	<i>\$15,917,388</i>
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$273,885	\$16,709,740		
10,669	10,669	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,213,754
960	12,341		
0	50,661		
0	2,839	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	
0	9,564		
34,609	106,745		
0	13,909	Delinquent Property Taxes	116,030
0	4,815,038		
0	34,100	Intergovernmental Payable includes contractually required pension obligations not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(81,792)
\$320,123	\$21,765,606		
\$925	\$92,472	In the Statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.	(47,347)
55,561	668,746		
6,305	417,286		
9,564	9,564		
11,263	160,412	Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore, are not reported in the funds:	
0	4,499,738		
83,618	5,848,218		
53,120	1,990,554	General Obligation Bonds	(15,000,000)
0	315,300	Notes Payable	(255,000)
0	34,100	Compensated Absences	(691,886)
0	1,105,547	Capital Leases	(142,718)
174,545	174,545	<i>Total</i>	<i>(16,089,604)</i>
0	192,441		
8,840	12,104,901	<i>Net Assets of Governmental Activities</i>	<i>\$4,028,429</i>
236,505	15,917,388		
\$320,123	\$21,765,606		

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>New Facility Capital Projects Fund</i>	<i>Other Governmental Funds</i>
Revenues				
Property Taxes	\$3,620,867	\$501,487	\$0	\$0
Intergovernmental	4,622,758	52,475	0	576,598
Interest	41,359	0	300,353	0
Tuition and Fees	121,097	0	0	13
Rent	56,981	0	0	0
Extracurricular Activities	200	0	0	274,379
Gifts and Donations	0	0	0	8,101
Customer Sales and Services	0	0	0	276,736
Miscellaneous	21,143	0	0	288
Total Revenues	8,484,405	553,962	300,353	1,136,115
Expenditures				
Current:				
Instruction:				
Regular	3,624,621	0	0	167,036
Special	767,723	0	0	310,306
Vocational	132,563	0	0	0
Support Services:				
Pupils	352,014	0	0	30,630
Instructional Staff	193,502	0	0	78,837
Board of Education	12,935	0	0	0
Administration	766,955	0	0	13,730
Fiscal	251,371	7,296	0	0
Business	24,902	0	0	0
Operation and Maintenance of Plant	817,831	0	0	511
Pupil Transportation	675,248	0	0	0
Operation of Non-Instructional Services	2,171	0	0	383,104
Extracurricular Activities	265,070	0	0	212,116
Capital Outlay	25,814	0	1,798,179	0
Debt Service:				
Principal	22,489	15,000,000	0	0
Interest and Fiscal Charges	9,296	733,114	0	0
Total Expenditures	7,944,505	15,740,410	1,798,179	1,196,270
Excess of Revenues Over (Under) Expenditures	539,900	(15,186,448)	(1,497,826)	(60,155)
Other Financing Sources and Uses				
Transfers In	0	0	300,000	4,892
General Obligation Bonds Issued	0	15,000,000	0	0
Proceeds from the Sale of Notes	0	0	15,255,000	0
Other Financing Sources	0	453,229	0	0
Transfers Out	(304,892)	0	0	0
Total Other Financing Sources (Uses)	(304,892)	15,453,229	15,555,000	4,892
Net Change in Fund Balances	235,008	266,781	14,057,174	(55,263)
Fund Balances (Deficit) Beginning of Year Restated (See Note 3)	1,278,807	0	(156,887)	291,768
Fund Balances End of Year	\$1,513,815	\$266,781	\$13,900,287	\$236,505

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$14,503,700
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$4,122,354	Governmental funds report capital outlay as expenditures.	
5,251,831	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
341,712		
121,110		
56,981		
274,579	Capital Assets Additions	1,880,347
8,101	Current Year Depreciation	<u>(151,638)</u>
276,736		
21,431	Total	1,728,709
<u>10,474,835</u>		
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	Delinquent Property Taxes	(6,531)
3,791,657		
1,078,029	Bond and note proceeds provide current financial resources to government funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period proceeds received were:	
132,563		
382,644		
272,339	Bond Proceeds	(15,000,000)
12,935	Bond Anticipation Note Proceeds	(15,000,000)
780,685	Note Proceeds	<u>(255,000)</u>
258,667		
24,902	Total	(30,255,000)
818,342		
675,248	Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
385,275		
477,186		
1,823,993		
	Note Principal Retirement	15,000,000
15,022,489	Capital Lease Retirement	<u>22,489</u>
742,410		
<u>26,679,364</u>	Total	15,022,489
(16,204,529)		
	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
304,892		(47,347)
15,000,000		
15,255,000	Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
453,229		
(304,892)		
<u>30,708,229</u>		
14,503,700	Compensated Absences	(78,183)
	Pension Obligations	<u>(11,520)</u>
	Total	<u>(89,703)</u>
<u>1,413,688</u>		
<u><u>\$15,917,388</u></u>	<i>Changes in Net Assets of Governmental Activities</i>	<u><u>856,317</u></u>

Tuslaw Local School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
Property Taxes	\$3,346,550	\$3,346,550	\$3,448,747	\$102,197
Intergovernmental	4,696,000	4,696,000	4,622,758	(73,242)
Interest	80,000	80,000	41,359	(38,641)
Tuition and Fees	68,000	68,000	57,830	(10,170)
Rent	25,000	25,000	56,981	31,981
Extracurricular Activities	500	500	200	(300)
Miscellaneous	20,300	20,300	18,304	(1,996)
Total Revenues	8,236,350	8,236,350	8,246,179	9,829
Expenditures				
Current:				
Instruction:				
Regular	3,855,419	3,902,119	3,614,664	287,455
Special	826,936	854,936	825,290	29,646
Vocational	144,200	147,850	132,838	15,012
Support Services:				
Pupils	415,232	419,232	376,769	42,463
Instructional Staff	203,646	208,646	193,236	15,410
Board of Education	13,566	19,616	15,621	3,995
Administration	779,208	793,708	776,797	16,911
Fiscal	262,831	281,331	255,406	25,925
Business	32,700	24,800	24,686	114
Operation and Maintenance of Plant	892,144	904,144	857,551	46,593
Pupil Transportation	716,692	768,192	710,252	57,940
Central	0	100	0	100
Operation of Non-Instructional Services:				
Community Services	17,700	2,500	2,433	67
Extracurricular Activities	241,050	276,350	262,006	14,344
Capital Outlay	3,400	77,300	70,518	6,782
Debt Service:				
Principal	9,500	16,500	16,066	434
Interest and Fiscal Charges	7,000	10,000	9,726	274
Total Expenditures	8,421,224	8,707,324	8,143,859	563,465
Excess of Revenues Over (under) Expenditures	(184,874)	(470,974)	102,320	573,294
Other Financing Sources and Uses				
Advances In	0	0	54,205	54,205
Transfers Out	0	305,000	304,892	108
Refund of Prior Year Receipts	0	34	34	0
Advances Out	0	20,000	17,091	2,909
Total Other Financing Sources and Uses	0	(325,034)	(267,812)	57,222
Net Change in Fund Balances	(184,874)	(796,008)	(165,492)	630,516
Fund Balance Beginning of Year	1,679,306	1,679,306	1,679,306	0
Prior Year Encumbrances Appropriated	269,394	269,394	269,394	0
Fund Balance End of Year	\$1,763,826	\$1,152,692	\$1,783,208	\$630,516

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	<u><i>Private Purpose Trust</i></u>	
	<u><i>Special Trust</i></u>	<u><i>Agency</i></u>
<i>Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$16,902	\$76,181
<i>Total Assets</i>	<u>16,902</u>	<u>76,181</u>
<i>Liabilities</i>		
Undistributed Monies	0	39,704
Due to Students	7,200	36,477
<i>Total Liabilities</i>	<u>7,200</u>	<u>\$76,181</u>
<i>Net Assets</i>		
Held in Trust for Scholarships	9,702	
<i>Total Net Assets</i>	<u>\$9,702</u>	

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

	<i>Special Trust</i>
<i>Additions</i>	
Gifts and Contributions	\$6,700
<i>Deductions</i>	
Scholarships Awarded	7,200
<i>Change in Net Assets</i>	(500)
<i>Net Assets Beginning of Year</i>	10,202
<i>Net Assets End of Year</i>	\$9,702

See Accompanying Notes to the Basic Financial Statements

Tuslaw Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

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

The School District serves an area of approximately forty four square miles. It is located in Stark and Wayne Counties and includes all portions of Lawrence, Tuscarawas, and Perry Townships, and the City of Massillon. It is staffed by fifty nine classified employees, seventy nine certified teaching personnel, and nine administrative employees who provide services to 1,401 students and other community members. The School District currently operates four instructional/support buildings.

Reporting Entity

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

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

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark-Portage Area Computer Consortium, Stark County Joint Vocational School, the Stark County Schools Council of Government Workers’ Compensation Group Rating Program, the Stark County Schools Council of Government Health Benefits Program and the Ohio School Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final certificate of estimated resources issued during fiscal year 2003.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2003.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2003, investments were limited to repurchase agreements, STAROhio, money market mutual funds, banker's acceptances, federal agency instruments and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund and capital improvements fund during fiscal year 2003 amounted to \$41,359 and \$226,304, respectively. The general fund interest includes \$11,869 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. \$34,100 has been restricted on the governmental funds balance sheet and represents money to be spent on the purchase of textbooks.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District increased its capitalization threshold from \$500 to \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

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

K. Interfund Balances

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

L. Compensated Absences

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (continued)

N. Net Assets

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

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

O. Fund Balance Reserves

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

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

P. Interfund Activity

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”; GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2003, there was no effect on fund balance as a result of implementing GASB statement 41.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting and change in the capital asset threshold from \$500 to \$2,000.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Balance

The new standards for reporting fund obligations for compensated absences in Interpretation 6 caused changes in previously reported fund balances. The food service fund was reclassified from an Enterprise fund to a Special Revenue Fund, causing a change in the fund balances. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance (continued)

B. Restatement of Fund Balance (continued)

	<i>General</i>	<i>New Facility Capital Projects</i>	<i>Nonmajor</i>	<i>Total</i>
<i>Fund Balance June 30, 2002</i>	\$1,255,878	\$(156,887)	\$200,560	\$1,299,551
GASB 34 Change in Fund Structure	0		91,208	91,208
Prepays	6,234		0	6,234
GASB 6 Compensated Absences	16,695		0	16,695
Restated Fund Balances, June 30, 2002	\$1,278,807	(156,887)	\$291,768	1,413,688
<i>GASB 34 Adjustments:</i>				
Taxes Receivable Deferred				122,561
Capital Assets				2,485,045
<i>Long-Term Liabilities:</i>				
Pension Obligations				(86,925)
Capital Lease Obligations				(165,207)
Compensated Absences				(597,051)
<i>Governmental Activities Net Assets, June 30, 2002</i>				\$3,172,111

The debt service fund was a new fund for 2003 and had no fund balance at June 30, 2002.

Note 4 – Fund Deficits

The following funds had deficit fund balances at June 30, 2003:

<i>Fund</i>	<i>Amount</i>
Special Revenue Funds:	
Title I	\$5,685
Title II-A	10,746
Miscellaneous Federal	181

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

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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting (continued)

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

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

Net Change in Fund Balance

<i>GAAP Basis</i>	\$235,008
Net Adjustment for Revenue Accruals	(238,226)
Advances In	54,205
Expenditure Accruals:	
Net Adjustment for Expenditure Accruals	34,311
Advances Out	(17,091)
Adjustment for Encumbrances	(233,699)
<i>Budget Basis</i>	<u><u>(\$165,492)</u></u>

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (continued)

Interim monies may be invested in the following securities:

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

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

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$3,224,260 and the bank balance was \$3,276,058. Of the bank balance, \$372,553 was covered by federal depository insurance and \$2,903,505 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (continued)

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

	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAROhio	\$0	\$2,388,026	\$2,388,026
Money Market Mutual Fund	0	5,020,701	5,020,701
Repurchase Agreement	6	6	6
Federal National Mortgage Association	2,758,545	2,758,545	2,758,545
Federal Home Loan Bank	3,307,210	3,307,210	3,307,210
Banker's Acceptance	138,175	138,175	138,175
<i>Totals</i>	<u>\$6,203,930</u>	<u>\$13,612,663</u>	<u>\$13,612,663</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
<i>GASB Statement No. 9</i>	\$16,836,923	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(6)	6
STAROhio	(2,388,026)	2,388,026
Money Market Mutual Fund	(5,020,701)	5,020,701
Federal National Mortgage Association	(2,758,545)	2,758,545
Federal Home Loan Bank	(3,307,210)	3,307,210
Banker's Acceptance	(138,175)	138,175
<i>GASB Statement No. 3</i>	<u>\$3,224,260</u>	<u>\$13,612,663</u>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the values as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Stark and Wayne Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$315,300 and is recognized as revenue. \$240,960 was available to the general fund and \$74,340 was available to the bond retirement debt service fund.

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 7 - Property Taxes (continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<i>2002 Second Half Collections</i>		<i>2003 First Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$122,504,160	86.81%	\$126,050,760	86.69%
Public Utility Personal	10,896,740	7.72	11,390,480	7.73
Tangible Personal Property	7,722,956	5.47	7,952,300	5.58
	\$141,123,856	100.00%	\$145,393,540	100.00%
Tax Rate per \$1,000 of assessed valuation	\$53.90		\$53.90	

Note 8 - Receivables

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, tuition and fees), intergovernmental grants, accrued interest, and interfunds. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<i>Amounts</i>
Tuition	\$72,136
Grants	34,609
<i>Total Intergovernmental Receivables</i>	\$106,745

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 9 - Capital Assets

The capital asset balances of the governmental activities have been restated due to a change in the District's capital asset policy:

	<i>Balance at</i>		<i>Restated</i>
	<i>6/30/02</i>	<i>Adjustments</i>	<i>Balance at</i>
	<u>6/30/02</u>	<u>Adjustments</u>	<u>6/30/02</u>
<i>Governmental Activities:</i>			
<i>Capital Assets, not being depreciated:</i>			
Land	\$4,000	\$59,537	\$63,537
Construction in Progress	0	0	0
	<u>4,000</u>	<u>59,537</u>	<u>63,537</u>
<i>Total Capital Assets, not being depreciated</i>	<u>4,000</u>	<u>59,537</u>	<u>63,537</u>
<i>Capital Assets, being depreciated:</i>			
Buildings and Buildings Improvements	3,410,759	(38,080)	3,372,679
Furniture and Fixtures	1,459,796	(911,286)	548,510
Vehicles	1,071,256	(6,838)	1,064,418
	<u>5,941,811</u>	<u>(956,204)</u>	<u>4,985,607</u>
<i>Total Capital Assets, being depreciated</i>	<u>5,941,811</u>	<u>(956,204)</u>	<u>4,985,607</u>
<i>Less Accumulated Depreciation:</i>			
Buildings and Building Improvements	(0)	(1,719,987)	(1,719,987)
Furniture and Fixtures	(96,262)	(189,810)	(286,072)
Vehicles	(0)	(558,040)	(558,040)
	<u>(96,262)</u>	<u>(2,467,837)</u>	<u>(2,564,099)</u>
<i>Total Accumulated Depreciation</i>	<u>(96,262)</u>	<u>(2,467,837)</u>	<u>(2,564,099)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$5,849,549</u>	<u>\$(3,364,504)</u>	<u>\$2,485,045</u>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 9 - Capital Assets (continued)

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<i>Restated Balance at 6/30/02</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/03</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$63,537	\$400,000	\$0	\$463,537
Construction in Progress	0	1,220,412	0	1,220,412
<i>Total Capital Assets, not being depreciated</i>	<u>63,537</u>	<u>1,620,412</u>	<u>0</u>	<u>1,683,949</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Buildings Improvements	3,372,679	100,000	0	3,472,679
Furniture and Fixtures	548,510	47,968	(19,015)	577,463
Vehicles	1,064,418	111,967	(104,301)	1,072,084
<i>Total Capital Assets, being depreciated</i>	<u>4,985,607</u>	<u>259,935</u>	<u>(123,316)</u>	<u>5,122,226</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(1,719,987)	(48,106)	0	(1,768,093)
Furniture and Fixtures	(286,072)	(40,085)	19,015	(307,142)
Vehicles	(558,040)	(63,447)	104,301	(517,186)
<i>Total Accumulated Depreciation</i>	<u>(2,564,099)</u>	<u>(151,638)</u>	<u>123,316</u>	<u>(2,592,421)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$2,485,045</u>	<u>\$1,728,709</u>	<u>\$0</u>	<u>\$4,213,754</u>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$45,680
Special	5,452
Vocational	970
Support Services:	
Pupil	3,969
Instructional Staff	3,298
Administration	8,566
Fiscal	840
Operation and Maintenance of Plant	10,537
Pupil Transportation	62,975
Operation of Non-Instructional Services	6,480
Extracurricular Activities	2,871
	<hr/>
Total Depreciation Expense	<u><u>\$151,638</u></u>

Note 10 - Interfund Balances/Transfers

A. Interfund Balances

As of June 30, 2003, the fund financial statements consist of the following interfund receivable/payables:

<u>Governmental Activities</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$9,564	\$0
<i>Special Revenue Funds:</i>		
Title I	0	5,151
Title V	0	740
Title IV	0	3,492
Title II-D	0	181
	<hr/>	<hr/>
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>9,564</u>
	<hr/>	<hr/>
<i>Total Interfund Balances</i>	<u><u>\$9,564</u></u>	<u><u>\$9,564</u></u>

The loans from the general fund were made to the special revenue funds to support the programs until the federal grant monies have been received.

B. Interfund Transfers

During fiscal year 2003, the general fund transferred \$304,892. \$300,000 was transferred to the capital improvements capital projects fund to pay for future building projects that will be funded partially by the Ohio School Facility Commission and \$4,892 to the summer school special revenue fund to help cover program costs.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the School District contracted with Leonard Insurance Services for both Property and fleet coverage and Harcum-Hyre Insurance Agency, Inc. for liability coverage. Coverage type, limits and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$25,801,926	\$5,000
Inland Marine Coverage	252,738	100
Automobile Liability	1,000,000	500
Uninsured Motorists	50,000	0
Commercial Crime Insurance	50,000	100
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0
Umbrella	2,000,000	0

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

For fiscal year 2003, the School District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control and actuarial services of the GRP.

The School District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$685.01 for family coverage and \$281.34 for single coverage per employee per month.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 12 - Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 305 days of sick leave that may be accumulated for certified employees and 295 days for classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 65 days.

B. Life Insurance

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

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 13 - Defined Benefit Pension Plans (continued)

A. State Teachers Retirement System

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

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year ended June 30, 2002, 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2003, 2002, and 2001 were \$499,720, \$350,070, and \$342,410, respectively; equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001, 83 percent has been contributed for 2003, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$102,568, \$64,997, and \$47,316, respectively; the full amount has been contributed for fiscal year 2002 and 2001, 49 percent has been contributed for fiscal year 2003, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

C. Social Security System

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 14 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The STRS board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$38,440, for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 million at June 30, 2002 (the latest information available). For the year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including surcharge, equaled \$95,510 during the 2003 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 15 - Capital Leases

During fiscal year 2003 the School District has entered into a capitalized lease for phone equipment and windows. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee.

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$191,758. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2003 totaled \$22,489 in the general fund. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

<i>Fiscal Year Ending June 30,</i>	<i>Amount</i>
2004	\$31,785
2005	31,785
2006	24,490
2007	17,194
2008-2011	68,780
<i>Total</i>	174,034
Less: Amount Representing Interest	(31,316)
<i>Present Value of Net Minimum</i>	\$142,718

Note 16 – Notes Payable

On July 31, 2002, the School District issued a \$15,000,000, 2 percent new facility construction bond anticipation note. The note was issued in anticipation of the issuance of bonds and is backed by the full faith and credit of the School District. The note matured on January 22, 2003. During the fiscal year, principal of \$15,000,000 and interest of \$143,333 was retired with general obligation bonds proceeds which will be repaid from new tax levy proceeds.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 17 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	<i>Balance</i>			<i>Balance</i>	
	<i>6/30/02</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/03</i>	<i>Amounts Due In One Year</i>
<i>Compensated Absences</i>	<u>\$597,051</u>	<u>\$140,379</u>	<u>(\$45,544)</u>	<u>\$691,886</u>	<u>\$113,592</u>
<i>Capital Leases:</i>					
Citibank - Window Replacement	120,011	0	(10,561)	109,450	11,166
Banc One – Telephone Equipment	<u>45,196</u>	<u>0</u>	<u>(11,928)</u>	<u>33,268</u>	<u>12,691</u>
<i>Total Capital Leases</i>	<u>165,207</u>	<u>0</u>	<u>(22,489)</u>	<u>142,718</u>	<u>23,857</u>
<i>Tax Anticipation Notes 3.50%</i>	<u>0</u>	<u>255,000</u>	<u>0</u>	<u>255,000</u>	<u>0</u>
<i>Tax Anticipation Bonds 4.48%</i>	<u>0</u>	<u>15,000,000</u>	<u>0</u>	<u>15,000,000</u>	<u>360,000</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$762,258</u>	<u>\$15,395,379</u>	<u>(\$68,033)</u>	<u>\$16,089,604</u>	<u>\$497,449</u>

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

On October 24, 2002, the School District issued \$15,000,000 in general obligation school facilities construction and improvement bonds to pay off the bond anticipation notes. The bonds were issued for a twenty-eight period with a final maturity at December 1, 2030. The bond issue consists of serial, term and capital appreciation bonds. The bonds have a varying interest rate ranging from 2.00 percent to 4.75 percent. The principal and interest requirements will be recorded in the debt service fund. .

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 17 - Long-Term Obligations (continued)

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

<i>Fiscal Year</i> <i>Ending June 30,</i>	<i>General Obligation Bonds</i>		<i>General Obligation Notes</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2004	\$360,000	\$600,734	\$0	\$8,925
2005	350,000	593,634	0	8,925
2006	370,000	586,434	0	8,925
2007	385,000	578,499	0	8,925
2008	420,000	569,014	255,000	4,463
2009-2013	1,160,000	2,718,881		
2014-2018	2,455,000	2,470,765		
2019-2023	2,965,000	1,891,820		
2024-2028	3,800,000	1,100,344		
2029-2031	2,735,000	193,671		
<i>Total</i>	<u>\$15,000,000</u>	<u>\$11,303,796</u>	<u>\$255,000</u>	<u>\$40,163</u>

Note 18 - Jointly Governed Organizations

A. Stark-Portage Area Computer Consortium

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

B. Stark County Area Vocational School

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 19 - Public Entity Risk Pools

A. Stark County Schools Council of Government

The Stark County Schools Council of Government (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of 15 Stark County school districts and a Workers Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fees to the GRP's to cover the costs of administering the program.

B. Ohio School Plan

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

Note 20 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Note 21 - State School Funding Issue

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

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

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2003

Note 22 - Set-Asides

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

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

	<i>Textbooks</i>	<i>Capital Acquisition</i>
<i>Set-Aside Cash Balance as of June 30, 2002</i>	\$4,879	\$0
Current Year Set-Aside Requirement	179,102	179,102
Qualifying Disbursements	149,881	1,808,563
<i>Total</i>	\$34,100	(\$1,629,461)
<i>Set-Aside Cash Balance as of June 30, 2003</i>	\$34,100	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

Note 23 – Contractual Commitments

As of June 30, 2003, the School District had contractual commitments for the new facility construction project. Site development was awarded to Wenger Excavating, Inc. in the amount of \$994,494 and a contract to Capital Aluminum in the amount of \$381,160 for window replacement in the existing high school. As of June 30, 2003, no contract payments had been made.

Note 24 – Subsequent Events

During August, 2003, bids were submitted and awarded for the construction of the new high school. The following contractors and amounts were awarded:

<i>Contractor</i>	<i>Contract Amount</i>
C.T. Taylor Inc – General Trades	\$5,767,092
S.A. Communale, Inc. – Fire Protection	138,400
D & A Plumbing – Plumbing	364,601
Standard Plumbing & Heating – HVAC	1,289,000
Wood Electric – Electrical	997,010

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**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<i>Federal Grantor/Pass Through Grantor Program Title</i>	<i>Pass Through Entity Number</i>	<i>Federal CFDA Number</i>	<i>Receipts</i>	<i>Non-Cash Receipts</i>	<i>Expenditures</i>	<i>Non-Cash Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution Program	Not Applicable	10.550	\$0	\$35,855	\$0	\$35,855
School Breakfast Program	Not Applicable	10.553				
National School Lunch Program	Not Applicable	10.555	<u>87,549</u>	<u>0</u>	<u>87,549</u>	<u>0</u>
<i>Total U.S. Department of Agriculture - Child Nutrition Cluster</i>			<u>87,549</u>	<u>35,855</u>	<u>87,549</u>	<u>35,855</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Grants to States	049957-6B-SF-02P	84.027	43,900	0	1,440	0
Special Education Grants to States	049957-6B-SF-03P	84.027	<u>137,232</u>	<u>0</u>	<u>137,232</u>	<u>0</u>
<i>Total Special Education Grants to States</i>			<u>181,132</u>	<u>0</u>	<u>138,672</u>	<u>0</u>
Title I Grants to Local Educational Agencies	049957-C1-S1-02	84.010	15,089	0	55,096	0
Title I Grants to Local Educational Agencies	049957-C1-S1-03	84.010	<u>190,583</u>	<u>0</u>	<u>191,147</u>	<u>0</u>
<i>Total Title I Grants to Local Educational Agencies</i>			<u>205,672</u>	<u>0</u>	<u>246,243</u>	<u>0</u>
Innovative Education Program Strategies	049957-C2-S1-01	84.298	0	0	0	0
Innovative Education Program Strategies	049957-C2-S1-03	84.298	<u>6,653</u>	<u>0</u>	<u>7,393</u>	<u>0</u>
<i>Total Innovative Education Program Strategies</i>			<u>6,653</u>	<u>0</u>	<u>7,393</u>	<u>0</u>
Safe and Drug Free Schools and Communities State Grant	049957-DR-S1-02	84.186	4,218	0	0	0
Safe and Drug Free Schools and Communities State Grant	049957-DR-S1-03	84.186	<u>1,135</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Safe and Drug Free Schools and Communities State Grant</i>			<u>5,353</u>	<u>0</u>	<u>0</u>	<u>0</u>
Improving Teacher Quality	049957-TR-S1-03	84.367	44,233	0	47,725	0
Class Size Reduction	049957-DR-S1-00	84.340	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Improving Teacher Quality</i>			<u>44,233</u>	<u>0</u>	<u>47,725</u>	<u>0</u>
Technology Grant	049957-TJ-S1-03	84.318	5,403	0	5,584	0
<i>Total Technology Grant</i>			<u>5,403</u>	<u>0</u>	<u>5,584</u>	<u>0</u>
Eisenhower Professional Development Grant	049957-MS-S1-01	84.281	0	0	0	0
Eisenhower Professional Development Grant	049957-MS-S1-02	84.281	<u>874</u>	<u>0</u>	<u>2,996</u>	<u>0</u>
<i>Total Eisenhower Professional Development Grant</i>			<u>874</u>	<u>0</u>	<u>2,996</u>	<u>0</u>
<i>Total U.S. Department of Education</i>			<u>449,320</u>	<u>0</u>	<u>448,613</u>	<u>0</u>
Total Federal Assistance			<u>\$536,869</u>	<u>\$35,855</u>	<u>\$536,162</u>	<u>\$35,855</u>

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

Tuslaw Local School District
Notes to the Schedule of Receipts and Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2003

Note A - Significant Accounting Policies

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

Note B - Food Distribution

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



**Auditor of State
Betty Montgomery**

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

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

We have audited the basic financial statements of Tuslaw Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 25, 2004, which indicated the District adopted GASB Statement 34 and increased its capitalization threshold from \$500 to \$2,000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 25, 2004.

Internal Control Over Financial Reporting

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

However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 25, 2004.

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

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

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

Betty Montgomery
Auditor of State

February 25, 2004



Auditor of State Betty Montgomery

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

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

Compliance

We have audited the compliance of Tuslaw Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

February 25, 2004

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

TUSLAW LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2004**