

TALLMADGE CITY SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Wolfe, Wilson, & Phillips, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Tallmadge City School District, Summit County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 19, 2014

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**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

To The Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County, Ohio (The District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County, Ohio as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3, for fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements, taken as a whole.

The Schedule of Expenditures of Federal Awards present additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2013, on our consideration of Tallmadge City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 3, 2013

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

This discussion and analysis of Tallmadge City School District's financials provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; for more detail on the financial status of the District the reader is encouraged to look at the financial statements along with the 5-year projections along with accompanying notes.

Financial Highlights

Key financial highlights for 2013 are as follows:

- ... General revenues accounted for \$26,170,900 in revenue or 87.6 percent of all operating revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,702,994 or 12.4 percent of total operating revenues of \$29,873,894.

- ... The District had \$28,961,974 in expenses related to governmental activities; only \$3,702,994 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$26,170,900 were adequate to provide for these programs.

Using this Annual Financial Report

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

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

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the District to provide for programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

The School District as a Whole

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

Table 1 provides a summary of the District's net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	\$24,733,823	\$24,244,121
Capital assets, net of depreciation	37,312,271	37,415,375
Total Assets	62,046,094	61,659,496
Liabilities		
Current and other liabilities	2,926,445	3,122,174
Long-term liabilities:		
Due within one year	958,291	1,033,793
Due in more than one year	27,265,728	27,917,568
Total Liabilities	31,150,464	32,073,535
Deferred Inflows of Resources	15,916,613	15,518,864
Net Position		
Invested in capital assets, net of debt	11,967,583	11,290,953
Restricted	3,377,026	2,407,371
Unrestricted	(365,592)	368,773
Total Net Position	\$14,979,017	\$14,067,097

Total net position increased \$911,920. Although revenues decreased, there was a greater decrease in expenses thus creating an overall increase in net position.

Current assets increased from \$24,244,121 in 2012 to \$24,733,823 in 2013. The major reason for this increase was an increase in cash due to a decrease in expenses.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Current liabilities decreased by \$195,729. This decrease for 2013 is due primarily to a drop in accounts payable. Also affecting this number is a reduction in long-term debt outstanding.

Table 2 shows a comparison of net position for fiscal year 2013 to fiscal 2012.

Table 2
Governmental Activities

	2013	2012
Revenues:		
Program Revenues:		
Charges for services	\$1,764,745	\$1,598,382
Operating grants, contributions and interest	1,586,077	1,455,580
Capital grants and contributions	352,172	350,218
Total Program Revenues	3,702,994	3,404,180
General Revenues:		
Property taxes	15,231,731	15,668,558
Grants and entitlements	10,322,909	10,727,296
Investment earnings	6,673	7,649
Miscellaneous	609,587	74,582
Total General Revenues	26,170,900	26,478,085
Program Expenses		
Instruction:		
Regular	12,968,695	14,760,941
Special	2,726,342	2,858,271
Vocational	666,593	777,865
Adult/continuing	53,265	113,079
Support services:		
Pupil	1,426,624	1,437,623
Instructional staff	622,553	632,718
Board of education	41,818	35,849
Administration	1,901,459	1,861,450
Fiscal	900,487	860,372
Business	127,538	135,970
Operation and maintenance of plant	2,087,150	1,953,199
Pupil transportation	1,827,222	1,973,491
Central	954,360	515,216
Operation non-instructional services	819,175	776,014
Extracurricular activities	1,005,703	1,009,055
Interest and fiscal charges	832,990	1,209,280
Total Program Expenses	28,961,974	30,910,393
Change in Net Position	911,920	(1,028,128)
Net Position Beginning of Year	14,067,097	15,095,225
Net Position End of Year	\$14,979,017	\$14,067,097

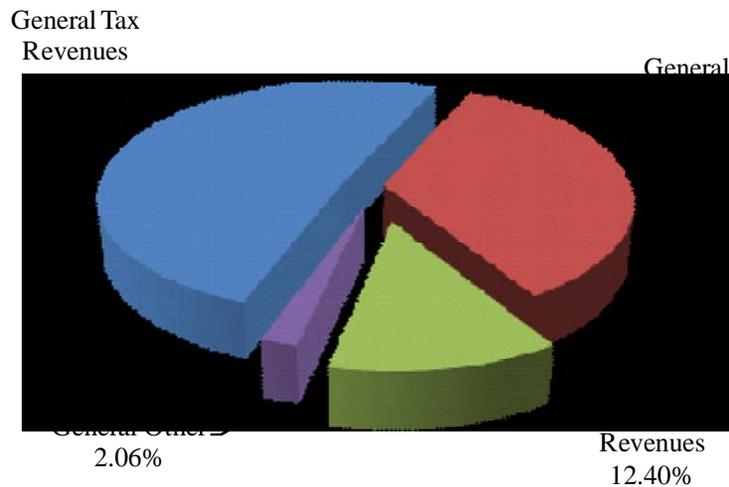
Tallmadge City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2013
 Unaudited

During FY2013, property tax revenues decreased by \$436,827. The primary reason for this decrease is due to a lower estimated property tax receivable.

Total expenses decreased from \$30,910,393 in 2012 to \$28,961,974 in 2013. The decrease is due to the decrease in the salary cost for employees, specifically in the governmental programs mentioned above.

Governmental Activities

Tallmadge City School District depends on both property taxes and State funding. All of the operating tax levies of the District are continuing except for the levy passed in May 2001 and the recent 5 year 6.9 mill emergency levy passed in November 2009. The May 2001 levy was renewed in 2006 & 2011 and generates annual revenues of approximately \$2.83 million. The newest levy passed in November 2009 will generate \$2.86 million per year. This levy is on the ballot this November, 2013 for a renewal period of 10 years.



The District's reliance upon tax revenues is demonstrated by the graph above that indicates 50.99% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$26.2 million dollars of support as well as the graph indicating general revenues comprise 87.60% of total revenues.

The community has been very supportive of the Tallmadge City School District by a history of voter approval of operating levies, most recently approving a 6.9 mill emergency levy in November 2009 (mentioned above) in very challenging economic times. Collection for this new levy began in 2010 and accounts for 19.5% of voted tax revenue, and 11.2% of overall revenue. The levy initially passed in May 2001 is very close to the 2009 levy in the amount it collects and accounts for same percentages of revenue for the District.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Instruction comprises 44.78% of governmental program expenses. Historically, the District has promoted excellence in educational programs by the allocation of resources in all instructional areas.

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

Table 3
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program Expenses				
Instruction:				
Regular	\$12,968,695	\$12,492,641	\$14,760,941	\$14,239,454
Special	2,726,342	2,155,943	2,858,271	2,407,973
Vocational	666,593	654,524	777,865	768,130
Adult/continuing	53,265	(22,944)	113,079	46,778
Support services:				
Pupils	1,426,624	1,147,541	1,437,623	1,080,634
Instructional staff	622,553	361,699	632,718	472,868
Board of education	41,818	41,023	35,849	35,381
Administration	1,901,459	1,711,017	1,861,450	1,688,353
Fiscal	900,487	567,472	860,372	567,499
Business	127,538	125,116	135,970	134,207
Operation and maintenance of plant	2,087,150	2,028,543	1,953,199	1,906,115
Pupil transportation	1,827,222	1,684,454	1,973,491	1,826,728
Central	954,360	584,593	515,216	179,046
Operation non-instructional services	819,175	106,546	776,014	142,399
Extracurricular activities	1,005,703	787,822	1,009,055	801,368
Interest and fiscal charges	832,990	832,990	1,209,280	1,209,280
Total Expenses	\$28,961,974	\$25,258,980	\$30,910,393	\$27,506,213

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

School District's Fund

The District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$29,984,883 and total expenditures were \$29,588,212. The District was most recently on the ballot for new monies in November 2009 successfully passing a 6.9 mill emergency levy. This emergency levy generates \$2.86 million per year, and is on the ballot for renewal in November 2013 for a 10 year period of time.

General Fund Budgeting Highlights

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

During fiscal year 2013, the District from time to time amended its general fund budget with minor modifications. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budget basis revenue estimate was \$25,114,574. The final actual revenue was \$24,506,704 which is \$607,870 lower than the original estimate.

The District's net change in general fund balance was a decrease of \$1,133,848. This decrease in FY13 was due in large part to two separate transfers that were made at the end of the year. The first was to the lunchroom fund (006) in the amount of \$300,000 in order to increase the fund at the end of the year with a positive cash balance. The other transfer was made to the self-funded health insurance fund (024) in the amount of \$577,694.73 in order to zero out that fund. We had been using the fund to self-fund a corridor of claims in our health insurance program but found the process of depositing employee contributions into the fund was inadequate to sustain a positive balance.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$37,312,271 invested in land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

Table 4
Capital Assets, at Fiscal Year End
2013
(Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$3,354,650	\$3,354,650
Construction in Progress	303,907	0
Buildings and Improvements	32,808,425	33,060,859
Furniture, Fixtures, and Equipment	651,815	746,980
Vehicles	193,474	252,886
Total Capital Assets	\$37,312,271	\$37,415,375

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

Debt

At June 30, 2013 the School District had \$24,850,000 of its bonds, (\$29,640,000) which were sold on April 26, 2006 outstanding. Principal due on the bonds within one year totals \$780,000. Table 5 summarizes the bonds and notes outstanding.

Table 5
Outstanding Debt, at Fiscal Year End
2013

	Governmental	Governmental
	Activities	Activities
	2013	2012
2005 Bond Issue - HS Building Project	\$24,850,000	\$25,605,000

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The HS Building Project Bonds were issued April of 2006 due to the passage of the Bond Issue Levy on November 2, 2004. The levy was a 4.69 mill \$30,500,000 issue. The total bond indebtedness resulted in \$30,190,000 due to bonds being sold at a premium and generating enough funding to retire the notes. The effective millage for the bond issue, due to the last reappraisal reduction in property value is now 5.48 mills. A portion of the bonds (\$9,554,039) were refinanced October 24, 2012 and the remainder of the outstanding bonds (\$14,684,991) was refinanced on April 9, 2013.

At June 30, 2013, the District's overall legal debt limitation was \$34,180,197, based on nine percent of the taxable valuation, with an unvoted debt margin of \$379,780. The District's current rating as issued by Standard & Poor's is AAA (Insured) with a recently upgraded AA-(Underlying)/Stable rating. See **Note 13** to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

With the passage of the November 2009, 6.9 mill five year emergency levy and the 2nd renewal in November 2011 of the operating levy originally passed in 2001, the District is experiencing financial stability. The new 2009 emergency levy combined with prior taxpayer initiatives, is providing the necessary funds for the District to manage its educational program and facilities. The District also renewed its 1.25 mill permanent improvement levy in May 2011 for another five years. The recently adopted five year forecast shows that the District should have a positive balance at the end of FY18 with the first year that expenditures exceed revenue being FY16. Moving forward with the current operating levies will provide adequate funding for the District to continue to operate at a level in hopes of maintaining the Excellent rating that the District has experienced since 2006.

State funding is of great concern to all school districts in the state. Tallmadge had seen steady reductions of state funding over the years to the point where the District was at a level consistent with FY03. The states new biennium budget (HB59) adopted in June 2013 created a new formula for school funding. While not all districts which were on the guarantee have benefited from the new formula, Tallmadge City Schools is one that has. The new formula has injected new monies into the district. The increases in additional revenue of \$270,000 in FY14 and \$748,260 in FY15 are a promising indication that the formula is working for Tallmadge City Schools. We hope that now that we are off of the guarantee we will see increases in state funding moving forward. The other part of HB59 which was significant was the ongoing funding at the current level of the reimbursement of personal tangible tax. Tallmadge City Schools receives \$1.2 million per year of reimbursement and it was feared that the phase out of this reimbursement would continue. However, at least for the next two years the state will continue to fund this reimbursement for schools.

Tallmadge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

Contacting the School District's Financial Management

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

Tallmadge City School District
Summit County, Ohio
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,616,081
Cash in Segregated Accounts	12,681
Receivables:	
Accounts	59,478
Intergovernmental	274,242
Taxes	17,756,817
Inventory Held for Resale	14,524
Non-Depreciable Capital Assets	3,658,557
Depreciable Capital Assets, Net	<u>33,653,714</u>
<i>Total Assets</i>	<u>62,046,094</u>
Liabilities	
Current Liabilities:	
Accounts Payable	268,171
Accrued Wages and Benefits	1,852,531
Intergovernmental Payable	661,438
Matured Compensated Absences Payable	144,305
Long-Term Liabilities:	
Due Within One Year	958,291
Due In More Than One Year	<u>27,265,728</u>
<i>Total Liabilities</i>	<u>31,150,464</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance	
Current Year Operations	<u>15,916,613</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	11,967,583
Restricted for:	
Debt Service	1,004,019
Capital Projects	1,899,094
Other Purposes	473,913
Unrestricted	<u>(365,592)</u>
<i>Total Net Position</i>	<u><u>\$14,979,017</u></u>

See Accompanying Notes to the Basic Financial Statements

Tallmadge City School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
Instruction:					
Regular	\$12,968,695	\$373,683	\$102,371	\$0	(\$12,492,641)
Special	2,726,342	42,807	527,592	0	(2,155,943)
Vocational	666,593	12,069	0	0	(654,524)
Adult/Continuing	53,265	5,610	70,599	0	22,944
Support Services:					
Pupils	1,426,624	34,484	244,599	0	(1,147,541)
Instructional Staff	622,553	10,912	249,942	0	(361,699)
Board of Education	41,818	795	0	0	(41,023)
Administration	1,901,459	138,772	16,197	35,473	(1,711,017)
Fiscal	900,487	16,316	0	316,699	(567,472)
Business	127,538	2,422	0	0	(125,116)
Operation and Maintenance of Plant	2,087,150	42,639	15,968	0	(2,028,543)
Pupil Transportation	1,827,222	142,768	0	0	(1,684,454)
Central	954,360	369,767	0	0	(584,593)
Operation of Non-Instructional Services	819,175	372,004	340,625	0	(106,546)
Extracurricular Activities	1,005,703	199,697	18,184	0	(787,822)
Interest and Fiscal Charges	832,990	0	0	0	(832,990)
Totals	<u>28,961,974</u>	<u>1,764,745</u>	<u>1,586,077</u>	<u>352,172</u>	<u>(25,258,980)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	13,226,471
Capital Projects	299,664
Debt Service	1,705,596
Grants and Entitlements not Restricted to Specific Programs	10,322,909
Investment Earnings	6,673
Miscellaneous	609,587

Total General Revenues

26,170,900

Change in Net Position

911,920

Net Position Beginning of Year

14,067,097

Net Position End of Year

\$14,979,017

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,479,702	\$828,673	\$2,235,227	\$6,543,602
Cash and Cash Equivalents in Segregated Accounts	12,681	0	0	12,681
Receivables:				
Accounts	59,478	0	0	59,478
Intergovernmental	0	0	274,242	274,242
Taxes	15,567,902	1,862,058	326,857	17,756,817
Interfund	167,295	0	0	167,295
Inventory Held For Resale	0	0	14,524	14,524
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	72,479	0	0	72,479
<i>Total Assets</i>	<u>\$19,359,537</u>	<u>\$2,690,731</u>	<u>\$2,850,850</u>	<u>\$24,901,118</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$262,469	\$0	\$5,702	\$268,171
Accrued Wages and Benefits	1,748,049	0	104,482	1,852,531
Interfund Payable	0	0	167,295	167,295
Intergovernmental Payable	618,505	0	42,933	661,438
Matured Compensated Absences Payable	144,305	0	0	144,305
<i>Total Liabilities</i>	<u>2,773,328</u>	<u>0</u>	<u>320,412</u>	<u>3,093,740</u>
Deferred Inflows of Resources				
Property Taxes not Levied to Finance				
Current Year Operations	14,473,114	1,742,807	299,653	16,515,574
Unavailable Revenue	0	0	59,258	59,258
<i>Total Deferred Inflows of Resources</i>	<u>14,473,114</u>	<u>1,742,807</u>	<u>358,911</u>	<u>16,574,832</u>
Fund Balances				
Nonspendable				
Inventory	0	0	14,524	14,524
Restricted				
Capital Improvements	0	0	1,886,299	1,886,299
Debt Service	0	947,924	0	947,924
District Managed Activities	0	0	76,444	76,444
Miscellaneous Grants	0	0	33,376	33,376
Other Purposes	72,479	0	54,702	127,181
Scholarships	0	0	191,598	191,598
Vocational Education	0	0	8,262	8,262
Committed				
Underground Storage Tank	17,579	0	0	17,579
Assigned				
Supplies	0	0	0	0
Public School Support	115,776	0	0	115,776
Other Purposes	179,669	0	0	179,669
Unassigned	1,727,592	0	(93,678)	1,633,914
<i>Total Fund Balances</i>	<u>2,113,095</u>	<u>947,924</u>	<u>2,171,527</u>	<u>5,232,546</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$19,359,537</u>	<u>\$2,690,731</u>	<u>\$2,850,850</u>	<u>\$24,901,118</u>

See Accompanying Notes to the Basic Financial Statements

**Tallmadge City School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013**

Total Governmental Funds Balances \$5,232,546

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

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

Land	3,354,650	
Construction in Progress	303,907	
Buildings and Improvements, Net	32,808,425	
Furniture, Fixture and Equipment, Net	651,815	
Vehicles, Net	<u>193,474</u>	
Total		37,312,271

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

Taxes	598,961	
Grants	<u>59,258</u>	
Total		658,219

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

Compensated Absences Payable	(2,879,331)	
General Obligation Bonds	<u>(25,344,688)</u>	
Total		<u>(28,224,019)</u>

Net Position of Governmental Activities \$14,979,017

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$13,357,222	\$1,717,611	\$302,895	\$15,377,728
Intergovernmental	10,322,909	282,325	1,484,041	12,089,275
Interest	6,405	268	0	6,673
Tuition and Fees	461,508	0	0	461,508
Rent	77,692	0	0	77,692
Extracurricular Activities	309,085	0	158,126	467,211
Gifts and Donations	0	0	136,875	136,875
Customer Sales and Services	380,054	0	378,280	758,334
Miscellaneous	138,218	0	471,369	609,587
<i>Total Revenues</i>	<u>25,053,093</u>	<u>2,000,204</u>	<u>2,931,586</u>	<u>29,984,883</u>
Expenditures				
Current:				
Instruction:				
Regular	12,478,471	0	150,511	12,628,982
Special	2,224,101	0	463,515	2,687,616
Vocational	650,273	0	0	650,273
Adult/Continuing	0	0	53,500	53,500
Support Services:				
Pupils	1,157,044	0	257,546	1,414,590
Instructional Staff	459,772	0	142,067	601,839
Board of Education	41,893	0	0	41,893
Administration	1,841,332	0	20,121	1,861,453
Fiscal	869,496	38,536	2,972	911,004
Business	129,933	0	0	129,933
Operation and Maintenance of Plant	1,962,246	0	21,783	1,984,029
Pupil Transportation	1,784,980	0	0	1,784,980
Central	955,206	0	0	955,206
Operation of Non-Instructional Services	0	0	762,776	762,776
Extracurricular Activities	761,375	0	173,877	935,252
Capital Outlay	0	0	572,162	572,162
Debt Service:				
Principal Retirement	0	755,000	0	755,000
Interest and Fiscal Charges	0	857,724	0	857,724
<i>Total Expenditures</i>	<u>25,316,122</u>	<u>1,651,260</u>	<u>2,620,830</u>	<u>29,588,212</u>
<i>Excess(Deficiency) of Revenues</i>				
<i>Over(Under) Expenditures</i>	(263,029)	348,944	310,756	396,671
Other Financing Sources				
Transfers In	0	0	300,000	300,000
Proceeds from Sale of Capital Assets	2,000	0	0	2,000
Transfers Out	(300,000)	0	0	(300,000)
<i>Total Other Financing Sources</i>	<u>(298,000)</u>	<u>0</u>	<u>300,000</u>	<u>2,000</u>
<i>Net Change in Fund Balances</i>	(561,029)	348,944	610,756	398,671
<i>Fund Balances Beginning of Year</i>	<u>2,674,124</u>	<u>598,980</u>	<u>1,560,771</u>	<u>4,833,875</u>
<i>Fund Balances End of Year</i>	<u>\$2,113,095</u>	<u>\$947,924</u>	<u>\$2,171,527</u>	<u>\$5,232,546</u>

See Accompanying Notes to the Basic Financial Statements.

**Tallmadge City School District
Summit County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$398,671

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

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

Capital Asset Additions	625,220	
Capital Asset Deletions	(6,821)	
Depreciation	(721,503)	
Total		(103,104)

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

Property Tax	(145,997)	
Grants	35,008	
Total		(110,989)

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

General Obligation Bonds		755,000
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Some expenses reported in the Statement of Activities, such as compensated absences and interest on bond payments do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(52,392)	
Interest	24,734	
Total		(27,658)

Change in Net Position of Governmental Activities \$911,920

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$14,135,239	\$13,735,239	\$13,731,813	(\$3,426)
Intergovernmental	10,544,585	10,291,871	10,291,292	(579)
Interest	9,700	9,700	6,402	(3,298)
Tuition and Fees	314,000	336,440	325,467	(10,973)
Rent	68,200	68,200	76,834	8,634
Extracurricular Activities	32,600	45,330	45,909	579
Customer Sales and Services	0	0	15,974	15,974
Miscellaneous	10,250	10,250	13,013	2,763
Total Revenues	25,114,574	24,497,030	24,506,704	9,674
Expenditures				
Current:				
Instruction:				
Regular	15,125,292	15,007,285	12,514,847	2,492,438
Special	2,446,808	2,466,808	2,233,355	233,453
Vocational	944,812	946,812	690,878	255,934
Adult/Continuing	8,637	8,637	0	8,637
Support Services:				
Pupils	1,253,609	1,255,609	1,145,820	109,789
Instructional Staff	473,874	481,378	462,946	18,432
Board of Education	45,479	60,479	42,726	17,753
Administration	2,177,604	2,178,600	1,754,901	423,699
Fiscal	966,196	967,696	907,269	60,427
Business	145,077	145,577	128,949	16,628
Operation and Maintenance of Plant	2,347,735	2,390,735	2,134,139	256,596
Pupil Transportation	1,711,979	1,711,979	1,811,209	(99,230)
Central	295,201	295,201	299,749	(4,548)
Extracurricular Activities	753,833	753,832	720,509	33,323
Total Expenditures	28,696,136	28,670,628	24,847,297	3,823,331
Excess(Deficiency) of Revenues Over(Under) Expenditures	(3,581,562)	(4,173,598)	(340,593)	3,833,005
Other Financing Sources				
Proceeds from Sale of Capital Assets	130,000	2,000	2,000	0
Refund of Prior Year Expenditures	50,000	92,081	82,420	(9,661)
Transfers Out	0	0	(877,675)	(877,675)
Total Other Financing Sources	180,000	94,081	(793,255)	(887,336)
Net Change in Fund Balance	(3,401,562)	(4,079,517)	(1,133,848)	2,945,669
Fund Balance at Beginning of Year	3,780,853	3,780,853	3,780,853	0
Prior Year Encumbrances Appropriated	369,013	369,013	369,013	0
Fund Balance at End of Year	\$748,304	\$70,349	\$3,016,018	\$2,945,669

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Summit County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$37,788</u>
Liabilities	
Due to Students	<u>\$37,788</u>

See Accompanying Notes to the Basic Financial Statements.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the School District

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

The School District is primarily located in Summit County with a small portion located in Portage County and encompasses nearly all of the City of Tallmadge. The School District provides educational services as mandated by state and federal agencies. The Board controls the School District’s nine instructional/support facilities staffed by 93 classified employees and 191 certified full-time personnel who provide services to 2,535 students and other community members. The School District currently operates two elementary buildings, one middle school, one high school, an administrative building, an annex, a maintenance garage and a bus garage.

Reporting Entity

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A. Basis of Presentation

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

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

B. Fund Accounting

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

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

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

Bond Retirement Fund The Bond Retirement Fund is a fund provided to account for monies received and expended in connection with debt service.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

C. Measurement Focus

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For fiscal year ending June 30, 2013, the School District has no deferred outflows of resources.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

E. Budgetary Data

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2013, investments were limited to repurchase agreements, STAROhio and a Morgan Bank money market fund. Investments in STAR Ohio are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and money market investments that had a maturity of one year or less at the time of purchase are reported at cost.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for at June 30, 2013.

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

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

G. Inventory

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

H. Restricted Assets

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

L. 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 and contractually-required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

M. Net Position

Net position represents assets plus deferred outflows minus liabilities minus deferred inflows. Net position investment in capital assets 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 position restricted for other purposes include grant funds, food service operations and extracurricular activities.

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

N. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

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

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

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

O. Interfund Activity

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

P. Estimates

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

Note 3 – Accountability and Compliance

A. Deficit Fund Balances

At June 30, 2013, the following funds reported deficits in fund balance on the GAAP basis:

Fund	Deficit
Special Revenue Funds	
Food Service	(\$10,396)
Title VI-B	(\$64,449)
Class Size Reduction Grant	(\$4,309)

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

Tallmadge City School District
Notes to the Basic Financial Statements
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At June 30, 2013, the following funds reported deficits in fund balance on the budgetary basis:

Fund	Deficit
Special Revenue Funds	
Uniform School Supplies	(\$5,418)
Title VI-B	(\$130,025)
Title I	(\$62,421)
Class Size Reduction Grant	(\$8,362)

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

B. Change in Accounting Principles

For fiscal year 2012, the School has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” GASB Statement No. 61, “The Financial Reporting Entity: Omnibus,” GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements. The implementation of GASB 60 had no material effect on the financial statements of the School. GASB Statement No. 61 improves financial reporting for a governmental financial reporting entity. The implementation of GASB 61 had no material effect on the financial statements of the School. GASB Statement No. 62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The implementation of GASB 62 had no material effect on the financial statements of the School. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The implementation of GASB 63 had no material effect on the financial statements of the School. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources certain items that were previously reported as assets and liabilities. The implementation of GASB 65 had no material effect on the financial statements of the School.

Note 4 - Budgetary Basis of Accounting

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

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

Tallmadge City School District
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For the Fiscal Year Ended June 30, 2013

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned of fund balance (GAAP basis).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
6. Some funds included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
GAAP Basis	(\$561,029)
Revenue Accruals	896,815
Expenditure Accruals	(760,442)
Funds with Separate Legally Adopted Budgets	(278,506)
Encumbrances	<u>(430,686)</u>
Budget Basis	<u><u>(\$1,133,848)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

Deposits At fiscal year end, the School District had \$2,970 in undeposited cash on hand, which is included on the Basic Financial Statements as part of "Equity in Pooled Cash and Cash Equivalents". The bank balance of the School District's deposits was \$1,924,322, of which \$250,000 was covered by federal depository insurance. The remaining balance was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the School District's name. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Tallmadge City School District
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Investments All interest is legally required to be placed in the General fund, Building Fund capital projects fund, and the Self-Insurance internal service fund. Due to these provisions, the General fund received \$6,402, of which \$2,579 was assigned from other School District funds.

As of June 30, 2013, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity Less than One Year
Repurchase Agreements	\$4,960,389	\$4,960,389
Morgan Bank Money Market Fund	\$10,046	\$10,046
STAROhio	\$52,667	\$52,667

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

Credit Risk. As of June 30, 2013, the School District’s investment in Morgan Bank and STAROhio were rated AA- and AAAM, respectively by Standard & Poor’s.

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

Concentration of Credit Risk. The School District places no limit on the amount the School District may invest in any one issuer. More than five percent of the School District’s investments are in repurchase agreements (98.76 percent).

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property (used in business) located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officers and County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, though not intended to finance fiscal year 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only a portion of the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow.

The amount available as an advance at June 30, 2013 was \$1,094,778 in the general fund, \$27,204 in the permanent improvement capital projects fund and \$119,261 in the Bond Retirement Fund. These are recognized as revenue on the fund financial statements.

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

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

Category	2012 Second Half Collections		2013 First Half Collections	
	Amount	%	Amount	%
Real Property Valuation:				
Agricultural/Residential and Other Real Estate	\$310,853,240	81.83%	\$304,897,330	81.64%
Public Utilities Personal	4,426,900	1.17%	4,820,280	1.29%
Tangible Personal	64,600,250	17.01%	63,763,690	17.07%
Total Valuation	<u>\$379,880,390</u>	<u>100.00%</u>	<u>\$373,481,300</u>	<u>100.00%</u>

Note 7 - Receivables

Receivables at June 30, 2013 consisted of taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Title I	\$179,595
Title VI-B	84,211
Class Size Reduction	10,436
Total	\$274,242

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$3,354,650	\$0	\$0	\$3,354,650
Construction in Progress	0	303,907	0	303,907
Total Capital Assets, Not Being Depreciated	3,354,650	303,907	0	3,658,557
Capital Assets, Being Depreciated:				
Buildings and Improvements	39,598,393	282,440	0	39,880,833
Furniture, Fixtures and Equipment	1,720,905	38,873	(23,014)	1,736,764
Vehicles	1,700,509	0	(45,198)	1,655,311
Total Capital Assets, Being Depreciated	43,019,807	321,313	(68,212)	43,272,908
Less Accumulated Depreciation:				
Buildings and Improvements	(6,537,534)	(534,874)	0	(7,072,408)
Furniture, Fixtures and Equipment	(973,925)	(131,737)	20,713	(1,084,949)
Vehicles	(1,447,623)	(54,892)	40,678	(1,461,837)
Total Accumulated Depreciation	(8,959,082)	(721,503) *	61,391	(9,619,194)
Total Capital Assets, Being Depreciated, net	34,060,725	(400,190)	(6,821)	33,653,714
Governmental Activities Capital Assets, net	\$37,415,375	(\$96,283)	(\$6,821)	\$37,312,271

Tallmadge City School District
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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$332,945
Special	11,218
Vocational	31,657
Support Services:	
Pupils	4,669
Instructional Staff	21,730
Administration	46,089
Fiscal	488
Business	108
Operation and Maintenance of Plant	125,940
Pupil Transportation	46,618
Non-Instructional Services	25,278
Extracurricular Activities	74,763
Total Depreciation Expense	<u><u>\$721,503</u></u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The following is a summary of the School District's insurance coverage with Todd & Associates, Inc. as of June 30, 2013:

Coverage	Amount
Buildings and Contents - Replacement Costs	\$76,000,000
Inland Marine	Incl. above
Boiler and Machinery	\$50,000,000
Crime Insurance	\$500,000
Automobile Liability	\$1,000,000
Uninsured Motorists	\$50,000
General Liability	
Per Occurrence	\$1,000,000
Total Per Year	\$10,000,000

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

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

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The School District contracted with Medical Mutual of Ohio to provide medical, drug card, dental, vision and hearing benefit insurance for its employees and their covered dependents. The School District is responsible for funding the health expenses, a corridor of up to \$2,000 for single coverage or \$4,000 for family coverage, after the employee has paid his deductible or coinsurance portion.. The School District's funding does not apply to services where a deductible does not apply. In addition, the School District's funding does not apply to the drug card, dental, vision and hearing benefits. Once the corridor amount is exhausted, Medical Mutual pays the claims. Premium rates are set based on an annual review process with the School District.

Workers' Compensation

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

Note 10 - Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$372,902, \$347,710, and \$347,644 respectively; 26.97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

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

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

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

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

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

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

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

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,514,570, \$1,699,709, and \$1,657,788, respectively; 83.09 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

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

Note 11 - Postemployment Benefits

A. School Employees Retirement System

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School District's contributions for the years ended June 30, 2013, 2012 and 2011 were \$20,243, \$18,876, and \$18,872, respectively, which equaled the required contributions each year.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$98,551, \$90,306, and \$90,970, respectively.

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

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

B. State Teachers Retirement System

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2012, 2011, and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The School's contributions for health care for fiscal years ended June 30, 2013, 2012, and 2011 were \$116,505, \$130,747, and \$127,522, respectively; 83.09 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 12 – Other Employee Benefits

A. Compensated Absences

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

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

B. Life Insurance

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

Note 13 - Debt Obligations

Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	Principal Outstanding 07/01/12	Additions	Deletions	Principal Outstanding 06/30/13	Amounts Due in One Year
General Long-Term Obligations:					
2005 \$30,190,000, 4.62%					
Maturing on 12/01/2032					
School Facilities Bonds	\$25,605,000	\$0	(\$755,000)	\$24,850,000	\$780,000
Unamortized Premium on Bonds	<u>519,422</u>	<u>0</u>	<u>(24,734)</u>	<u>494,688</u>	<u>24,734</u>
Total General Obligation Bonds	26,124,422	0	(779,734)	25,344,688	804,734
Other Long-Term Obligations:					
Compensated Absences	<u>2,826,939</u>	<u>306,451</u>	<u>(254,059)</u>	<u>2,879,331</u>	<u>153,557</u>
Total Governmental Activities	<u>\$28,951,361</u>	<u>\$306,451</u>	<u>(\$1,033,793)</u>	<u>\$28,224,019</u>	<u>\$958,291</u>

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

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

Fiscal Year Ending	General Obligation Bonds		
	Principal	Interest	Total
June 30,			
2014	\$780,000	\$1,177,059	\$1,957,059
2015	815,000	1,141,090	1,956,090
2016	850,000	1,105,877	1,955,877
2017	885,000	1,071,177	1,956,177
2018	920,000	1,035,078	1,955,078
2019-2023	5,290,000	4,448,389	9,738,389
2024-2028	6,740,000	2,967,450	9,707,450
2029-2033	<u>8,570,000</u>	<u>1,083,311</u>	<u>9,653,311</u>
Total	<u>\$24,850,000</u>	<u>\$14,029,431</u>	<u>\$38,879,431</u>

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 - Interfund Transactions

A. Interfund Balance

	Interfund Receivable
Interfund Payable	General Fund
Other Governmental Funds	\$167,295

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

Note 15 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology (NEOnet) – The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Information Technology Center (ITC) used by the School District. NEOnet is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board, Metropolitan Regional Schools Council (MRSC) consisting of superintendents and treasurers from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2013, the School District contributed \$125,795 to NEOnet. Financial information can be obtained by contacting NEOnet at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

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

Note 16 - Contingencies

A. Grants

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

Tallmadge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

There is no litigation that the District is involved as of June 30, 2013.

Note 17 - Set-Aside Calculations

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

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

	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	426,592
Current Year Offsets	(392,605)
Qualifying Disbursements	<u>(344,571)</u>
Total	<u><u>(\$310,584)</u></u>
Cash Balance Carried Forward to Future Years	<u>\$0</u>

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

WOLFE, WILSON, & PHILLIPS, INC.
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ZANESVILLE, OHIO 43701

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

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2013. We also noted the District adopted GASB Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*", GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*", GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*", GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Tallmadge City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unintended material weaknesses may exist.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to District management in a separate letter dated December 3, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 3, 2013

**WOLFE, WILSON, & PHILLIPS, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Tallmadge City School District's compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could directly and materially affect each of the Tallmadge City School District's major federal programs for the year ended June 30, 2013. The Summary of Audit Results in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The Tallmadge City School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Tallmadge City School District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major program occurred. An audit includes examining, on a test basis, evidence about the Tallmadge City School District's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination on the Tallmadge City School District's compliance.

Opinion

In our opinion, the Tallmadge City School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The Tallmadge City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Tallmadge City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Tallmadge City School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 3, 2013

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

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Nutrition Cluster; CFDA #10.553, #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	60,957	-	60,957	-
National School Lunch Program	n/a	10.555	252,542	65,671	252,542	65,671
Total Nutrition Cluster			313,499	65,671	313,499	65,671
Total U.S. Department of Agriculture			313,499	65,671	313,499	65,671
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children						
	44883C1S112	84.010	29,208	-	35,998	-
	44883C1S113		255,387	-	314,125	-
	44883C1SN12		8,280	-	1,945	-
	44883C1SN13		11,155	-	13,538	-
			304,030	-	365,606	-
Title VI-B Special Education Assistance						
	448836BSF12	84.027	3,366	-	10,392	-
	448836BSF13		370,661	-	468,861	-
			374,027	-	479,253	-
Education Jobs						
	44883EJ12	84.410	11,696	-	14,689	-
			11,696	-	14,689	-
Improving Teacher Quality State Grant						
	44883TRS112	84.367	12,684	-	12,468	-
	44883TRS113		55,490	-	63,463	-
			68,174	-	75,931	-
Career and Technical Education Basic State Grant						
	44883FY13	84.048	2,800	-	-	-
			2,800	-	-	-
Technology Literacy Challenge						
	44883TJS1010	84.318	2,032	-	2,032	-
			2,032	-	2,032	-
Total U.S. Department of Education			762,759	-	937,511	-
Total Federal Awards Expenditures			1,076,258	65,671	1,251,010	65,671

See notes to Schedule of Federal Awards Expenditures.

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

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – CHILD NUTRITION CLUSTER

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

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

NOTE C – MATCHING REQUIREMENTS

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

**WOLFE, WILSON, & PHILLIPS, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON
PROCEDURES**

Board of Education
Tallmadge City School District
Tallmadge, Ohio 44278

To The Board of Education

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.

Accordingly, we have performed the procedure enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Tallmadge City School District has adopted its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agree-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by “electronic act”. Ohio Revised Code Section 3313.666 required the Board to amend its policy by November 4, 2012.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the attention and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 3, 2013



Dave Yost • Auditor of State

TALLMADGE CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2014**