



Dave Yost • Auditor of State

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

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 Tuslaw Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2014, 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 Tuslaw Local School District, Stark County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the 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.

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, and other knowledge we obtained during our audit of 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 other 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 Federal Award Receipts and Expenditures (Schedule) presents 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 also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the 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 our report dated January 29, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2015

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Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Tuslaw Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2014 are as follows:

- The School District is in the project close-out stage with the Ohio Facilities Construction Commission (OFCC) for the building of Tuslaw Elementary School under the classroom facilities assistance program.
- Revenues for governmental activities totaled \$14,818,097 in fiscal year 2014. Of this total, 79 percent consisted of general revenues while program revenues accounted for the balance of 21 percent.
- On November 6, 2012, voters approved a 7.5 mill renewal property tax levy to provide for the operations of the School District. This levy generates approximately \$750,000 annually through December 2018.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

In the Statement of Net Position and the Statement of Activities, the School District is classified into governmental activities. All of the School District's non-fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District's major funds are described on page 10. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
Net Position

	<i>Governmental Activities</i>		
	2014	2013	Change
Assets			
Current and Other Assets	\$11,596,122	\$11,086,198	\$509,924
Capital Assets, Net	25,830,415	26,514,461	(684,046)
<i>Total Assets</i>	<u>37,426,537</u>	<u>37,600,659</u>	<u>(174,122)</u>
Deferred Outflows of Resources	<u>429,350</u>	<u>468,061</u>	<u>(38,711)</u>
Liabilities			
Current Liabilities	1,499,521	1,556,350	56,829
Long-Term Liabilities:			
Due Within One Year	717,748	715,396	(2,352)
Due in More Than One Year	12,819,934	13,373,680	553,746
<i>Total Liabilities</i>	<u>15,037,203</u>	<u>15,645,426</u>	<u>608,223</u>
Deferred Inflows of Resources	<u>5,336,356</u>	<u>5,287,795</u>	<u>(48,561)</u>
Net Position			
Net Investment in Capital Assets	13,721,155	13,757,088	(35,933)
Restricted	1,848,536	2,005,714	(157,178)
Unrestricted	1,912,637	1,372,697	539,940
<i>Total Net Position</i>	<u>\$17,482,328</u>	<u>\$17,135,499</u>	<u>\$346,829</u>

Total assets decreased slightly in fiscal year 2014, due to a decrease in net capital assets. In fiscal year 2013, there were significant additions to buildings and improvements which were offset by a corresponding decrease in construction in progress, as the Tuslaw Elementary School building was completed. After factoring in annual depreciation on capital assets, the category shows an overall decrease.

Liabilities also decreased in fiscal year 2014. The category primarily responsible for this decrease was due in more than one year. Annual debt payments were made on the School District's bonds, reducing this balance. Net position increased in fiscal year 2014, as assets and deferred outflows of resources were larger than liabilities and deferred inflows of resources.

The School District's expense per pupil has historically been one of the lowest in the State. The School District has always spent funds cautiously. Due to the unresolved funding issue of the State and the School District continually being required to implement unfunded State and Federal mandates, the School District is reliant upon additional property tax dollars to cover operating costs. The School District's voters passed a 7.5 mill renewal levy which was on the November, 2012 ballot. This renewal levy will generate approximately \$750,000 annually for the purpose of current operating expenses.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$11,699,074 or 79 percent of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$3,119,023 or only 21 percent of total revenue.

Table 2 shows a comparative analysis of government-wide changes in net assets data for fiscal year 2014 compared to fiscal year 2013.

Table 2
Changes in Net Position

	Governmental Activities		
	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,834,725	\$1,716,012	\$118,713
Operating Grants and Contributions	1,284,298	832,804	451,494
<i>Total Program Revenues</i>	<u>3,119,023</u>	<u>2,548,816</u>	<u>570,207</u>
General Revenues:			
Property Taxes	5,592,299	5,399,626	192,673
Grants and Entitlements	6,047,205	6,454,730	(407,525)
Investments	7,610	11,718	(4,108)
Miscellaneous	51,960	10,095	41,865
<i>Total General Revenues</i>	<u>11,699,074</u>	<u>11,876,169</u>	<u>(177,095)</u>
<i>Total Revenues</i>	<u>14,818,097</u>	<u>14,424,985</u>	<u>393,112</u>
Program Expenses			
Instruction:			
Regular	6,096,026	5,725,834	(370,192)
Special	1,905,409	1,817,835	(87,574)
Vocational	115,088	108,113	(6,975)
Student Intervention Services	5,208	5,287	79
Support Services:			
Pupils	869,486	669,218	(200,268)
Instructional Staff	376,348	485,013	108,665
Board of Education	18,675	16,532	(2,143)
Administration	912,314	858,143	(54,171)
Fiscal	360,824	358,078	(2,746)
Business	42,390	41,958	(432)
Operation and Maintenance of Plant	1,086,231	1,274,313	188,082
Pupil Transportation	905,218	964,231	59,013
Central	71,861	49,706	(22,155)
Operation of Non-Instructional Services	565,262	470,989	(94,273)
Extracurricular Activities	756,359	729,913	(26,446)
Interest and Fiscal Charges	384,569	645,072	260,503
<i>Total Program Expenses</i>	<u>14,471,268</u>	<u>14,220,235</u>	<u>(251,033)</u>
Increase in Net Position	346,829	204,750	142,079
<i>Net Position Beginning of Year</i>	<u>17,135,499</u>	<u>16,930,749</u>	<u>204,750</u>
<i>Net Position End of Year</i>	<u>\$17,482,328</u>	<u>\$17,135,499</u>	<u>\$346,829</u>

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

The School District carefully plans its financial existence by forecasting its revenues and expenses for the next five years. The School District has a limited levy for a total of 7.5 mills, which currently generates an estimated \$750,000 in revenues and was renewed during fiscal year 2013. The School District passed a five year emergency levy in May 2010 that generates approximately \$1.2 million annually. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 56 percent of the School District's total expenses are instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 32 percent. The remaining amount of program expenses, 12 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the School District.

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

Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Governmental Activities:				
Instruction:				
Regular	\$6,096,026	\$4,844,495	\$5,725,834	\$4,620,573
Special	1,905,409	1,044,994	1,817,835	1,267,268
Vocational	115,088	115,088	108,113	108,113
Student Intervention Services	5,208	5,208	5,287	5,287
Support Services:				
Pupils	869,486	787,460	669,218	669,218
Instructional Staff	376,348	340,522	485,013	485,013
Board of Education	18,675	18,675	16,532	16,532
Administration	912,314	904,950	858,143	858,143
Fiscal	360,824	360,824	358,078	358,078
Business	42,390	42,390	41,958	41,958
Operation and Maintenance of Plant	1,086,231	1,084,865	1,274,313	1,271,896
Pupil Transportation	905,218	905,218	964,231	964,231
Central	71,861	71,861	49,706	49,706
Operation of Non-Instructional Services	565,262	36,601	470,989	(39,285)
Extracurricular Activities	756,359	404,525	729,913	349,616
Interest and Fiscal Charges	384,569	384,569	645,072	645,072
Total	\$14,471,268	\$11,352,245	\$14,220,235	\$11,671,419

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 39 percent of total costs are directly supported by local property taxes. Grant and entitlements support about 42 percent of total costs. Program revenues only account for 22 percent of all governmental expenses.

The School District's Funds

Information regarding the School District's major funds can be found beginning on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling \$14,911,148 and expenditures totaling \$14,300,979. The general fund balance increased by \$688,754 as revenues increased over the prior fiscal year. The bond retirement fund balance decreased by \$64,091 as annual debt payments were made.

General Fund Budgeting Highlights

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

The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original budget basis estimated revenues (at the time the full year's appropriation was first passed) and the final budget basis revenue estimate were relatively consistent. There was an increase from the original budget basis expenditures to the final budget basis expenditures to conservatively estimate the School District's regular instruction expenditures.

The School District's general fund unencumbered ending cash balance totaled \$3,479,108 which was more than the final budgeted amount of \$2,864,977 due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$25,830,415 invested in land, buildings and improvements, furniture and fixtures, and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2014 values compared to fiscal year 2013.

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

	<i>Governmental Activities</i>	
	<i>2014</i>	<i>2013</i>
Land	725,598	725,598
Buildings and Improvements	31,174,703	31,166,613
Furniture and Fixtures	1,786,465	1,759,025
Vehicles	1,307,319	1,307,319
Accumulated Depreciation	(9,163,670)	(8,444,094)
Totals	\$25,830,415	\$26,514,461

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

Debt

Table 5 below summarizes the School District's outstanding debt.

Table 5
Outstanding Debt at Year End

	<i>Governmental Activities</i>	
	<i>2014</i>	<i>2013</i>
General Obligation Bonds:		
Serial and Term Bonds	\$11,045,000	\$11,620,000
Capital Appreciation Bonds	214,118	214,118
Accretion on Capital Appreciation Bonds	143,607	79,259
HB 264 Energy Conservation Bonds	675,138	729,166
<i>Totals</i>	\$12,077,863	\$12,642,543

During fiscal year 2010, \$878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

The School District sold \$9,404,960 of refunding bonds on November 17, 2011. This transaction refinanced a portion of the School District's bonds that were originally sold in 2002. The new bonds have a final maturity of December 1, 2030 and carry an interest rate of 3.2 percent.

The School District sold \$2,549,158 of refunding bonds on December 14, 2011. This transaction refinanced some of the remaining portion of the School District's bonds that were originally sold in 2002 and were not already refunded by the issue sold in November 2011. The new bonds have a final maturity of December 1, 2018 and carry an interest rate of 1.49 percent.

The School District's overall debt margin is \$3,523,737 and the unvoted debt margin is \$171,755. For more information on debt refer to Note 13 of the basic financial statements.

School District Outlook

The School District approaches the future with a very conservative approach. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The economic condition of the State and the Nation are having a great impact on the financial status of the School District.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The financial future of the School District is faced with challenges which are both internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines what to do with the tremendous State revenue shortfalls and determine how to fund schools adequately.

Fluctuations in real and public utility personal property taxes are attributed to changes in market values due to reappraisal and updates. The School District receives real and public utility personal property tax revenues from both Stark and Wayne Counties. Stark County completed its six-year reappraisal of all properties in the county in 2012. Tangible personal property taxes were phased out in fiscal year 2012.

Although the School District relies heavily on its property taxpayers to support its operations, community support for the schools is quite strong. As mentioned earlier, the Tuslaw voters renewed a five year 7.5 mill operating levy in November, 2012, to help fund the general operations of the School District. This levy was scheduled to expire at the end of calendar year 2013. The School District passed a five year emergency levy in May, 2010 which will generate an additional \$1.2 million per year through calendar year 2015. The School District will have a renewal of this levy on the ballot beginning in November 2014. Additional revenue and/or reductions in expenditures will be necessary to avoid negative general fund balances in future years. The School District has communicated to the community that it relies upon their support for the major part of its operations, and will continue to work diligently to plan expenditures, staying carefully within the School District's 5-year financial plan. State law limits the growth of income generated by local levies rendering revenue relatively constant.

The School District does not anticipate any meaningful growth in State revenue due to the economic condition of the State. The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding has now been established as part of the State's biennial budget for fiscal years 2014 and 2015. The School District has established its estimates based on the Office of Budget and Management (OBM) district projections for State education funding. State funding for fiscal years 2015 and beyond is projected at a similar funding level as fiscal year 2014.

The State of Ohio is currently working on a new funding formula that is ADM-driven. Due to the current economic condition of the State, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the School District's operations are heavily dependent upon State funding, the State's economic situation is of grave concern to the School District.

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 School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Barbara Markland, Treasurer, at Tuslaw Local School District, 1835 Manchester Ave. NW, Massillon, Ohio 44647, or email at bmarkland@tuslawschools.org.

Tuslaw Local School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,644,347
Inventory Held for Resale	18,275
Accrued Interest Receivable	1,550
Intergovernmental Receivable	143,127
Prepaid Items	9,132
Taxes Receivable	5,779,691
Non-Depreciable Capital Assets	725,598
Depreciable Capital Assets, net	<u>25,104,817</u>
<i>Total Assets</i>	<u>37,426,537</u>
 Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>429,350</u>
 Liabilities	
Accounts Payable	60,752
Accrued Wages and Benefits	1,150,054
Intergovernmental Payable	225,350
Accrued Interest Payable	28,371
Matured Compensated Absences Payable	34,994
Long-Term Liabilities:	
Due Within One Year	717,748
Due in More Than One Year	12,819,934
<i>Total Liabilities</i>	<u>15,037,203</u>
 Deferred Inflows of Resources	
Property Taxes	<u>5,336,356</u>
 Net Position	
Net Investment in Capital Assets	13,721,155
Restricted for Debt Service	936,129
Restricted for Capital Outlay	433,818
Restricted for Other Purposes	478,589
Unrestricted	<u>1,912,637</u>
<i>Total Net Position</i>	<u><u>\$17,482,328</u></u>

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	<u>Program Revenues</u>			<i>Net (Expenses) Revenue and Changes in Net Position</i>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Instruction:				
Regular	\$6,096,026	\$1,184,846	\$66,685	(\$4,844,495)
Special	1,905,409	0	860,415	(1,044,994)
Vocational	115,088	0	0	(115,088)
Student Intervention Services	5,208	0	0	(5,208)
Support Services:				
Pupils	869,486	0	82,026	(787,460)
Instructional Staff	376,348	0	35,826	(340,522)
Board of Education	18,675	0	0	(18,675)
Administration	912,314	0	7,364	(904,950)
Fiscal	360,824	0	0	(360,824)
Business	42,390	0	0	(42,390)
Operation and Maintenance of Plant	1,086,231	1,366	0	(1,084,865)
Pupil Transportation	905,218	0	0	(905,218)
Central	71,861	0	0	(71,861)
Operation of Non-Instructional Services	565,262	301,983	226,678	(36,601)
Extracurricular Activities	756,359	346,530	5,304	(404,525)
Interest and Fiscal Charges	384,569	0	0	(384,569)
Totals	<u>\$14,471,268</u>	<u>\$1,834,725</u>	<u>\$1,284,298</u>	(11,352,245)

General Revenues

Property Taxes Levied for:	
General Purposes	4,772,604
Debt Service	734,766
Classroom Facilities Maintenance	84,929
Grants and Entitlements not Restricted to Specific Proj	6,047,205
Investment Earnings	7,610
Miscellaneous	51,960
Total General Revenues	<u>11,699,074</u>
Change in Net Position	346,829
Net Position Beginning of Year	<u>17,135,499</u>
Net Position End of Year	<u>\$17,482,328</u>

See accompanying notes to the basic financial statements

Tuslaw Local School District

*Balance Sheet
Governmental Funds
June 30, 2014*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,839,430	\$902,995	\$901,922	\$5,644,347
Inventory Held for Resale	0	0	18,275	18,275
Accrued Interest Receivable	1,550	0	0	1,550
Intergovernmental Receivable	0	0	143,127	143,127
Prepaid Items	9,132	0	0	9,132
Taxes Receivable	5,008,035	771,656	0	5,779,691
Total Assets	\$8,858,147	\$1,674,651	\$1,063,324	\$11,596,122
Liabilities				
Current Liabilities:				
Accounts Payable	\$55,761	\$0	\$4,991	\$60,752
Accrued Wages and Benefits	1,056,947	0	93,107	1,150,054
Intergovernmental Payable	196,239	0	29,111	225,350
Matured Compensated Absences Payable	34,994	0	0	34,994
Total Liabilities	1,343,941	0	127,209	1,471,150
Deferred Inflows of Resources				
Property Taxes	4,626,205	710,151	0	5,336,356
Unavailable Revenue	228,770	37,292	71,864	337,926
Total Deferred Inflows of Resources	4,854,975	747,443	71,864	5,674,282
Fund Balances				
Nonspendable	9,132	0	0	9,132
Restricted	0	927,208	864,251	1,791,459
Assigned	331,369	0	0	331,369
Unassigned	2,318,730	0	0	2,318,730
Total Fund Balances	2,659,231	927,208	864,251	4,450,690
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$8,858,147	\$1,674,651	\$1,063,324	\$11,596,122

See accompanying notes to the basic financial statements

Tuslaw Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances		\$4,450,690
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,830,415
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds.		
Delinquent Property Taxes	266,062	
Intergovernmental Receivables	71,864	
<i>Total</i>	<i>Total</i>	337,926
In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(28,371)
Long-term liabilities, including bonds and compensated absences payable are not due and payable in the current period:		
General Obligation Bonds	(11,259,118)	
Premium on General Obligation Bon	(604,354)	
Deferred Charge on Refunding	429,350	
Capital Appreciation Bonds Accretio	(143,607)	
Energy Conservation Bonds	(675,138)	
Compensated Absences	(855,465)	
<i>Total</i>	<i>Total</i>	(13,108,332)
<i>Net Position of Governmental Activities</i>		\$17,482,328

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Property Taxes	\$4,789,607	\$735,594	\$84,929	\$5,610,130
Intergovernmental	6,423,303	116,772	839,381	7,379,456
Interest	7,516	0	722	8,238
Tuition and Fees	1,184,846	0	0	1,184,846
Rent	1,366	0	0	1,366
Extracurricular Activities	156,572	0	189,958	346,530
Gifts and Donations	21,335	0	5,304	26,639
Customer Sales and Services	42,329	0	259,654	301,983
Miscellaneous	41,018	2	10,940	51,960
<i>Total Revenues</i>	<u>12,667,892</u>	<u>852,368</u>	<u>1,390,888</u>	<u>14,911,148</u>
Expenditures				
Current:				
Instruction:				
Regular	5,510,003	0	32,553	5,542,556
Special	1,439,608	0	464,488	1,904,096
Vocational	112,230	0	0	112,230
Student Intervention Services	2,995	0	5,035	8,030
Support Services:				
Pupils	778,123	0	85,979	864,102
Instructional Staff	360,282	0	24,062	384,344
Board of Education	18,675	0	0	18,675
Administration	873,122	0	6,718	879,840
Fiscal	352,695	16,109	0	368,804
Business	42,390	0	0	42,390
Operation and Maintenance of Plant	997,496	0	95,821	1,093,317
Pupil Transportation	790,224	0	0	790,224
Central	71,861	0	0	71,861
Operation of Non-Instructional Services	39,906	0	473,590	513,496
Extracurricular Activities	520,470	0	217,136	737,606
Debt Service:				
Principal	54,028	575,000	0	629,028
Interest and Fiscal Charges	15,030	325,350	0	340,380
<i>Total Expenditures</i>	<u>11,979,138</u>	<u>916,459</u>	<u>1,405,382</u>	<u>14,300,979</u>
<i>Net Change in Fund Balances</i>	688,754	(64,091)	(14,494)	610,169
<i>Fund Balances Beginning of Year</i>	<u>1,970,477</u>	<u>991,299</u>	<u>878,745</u>	<u>3,840,521</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,659,231</u></u>	<u><u>\$927,208</u></u>	<u><u>\$864,251</u></u>	<u><u>\$4,450,690</u></u>

See accompanying notes to the basic financial statements

Tuslaw Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$610,169

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

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

Capital Outlay	52,201	
Depreciation	(736,247)	
<i>Total</i>		(684,046)

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

Intergovernmental Receivables	(75,220)	
Delinquent Property Taxes	(17,831)	
<i>Total</i>		(93,051)

Repayment of bond principal and interest accretion is an expenditure in the governmental funds,
but the repayment and accretion reduces long-term liabilities in the statement of net position. 629,028

Some expenses reported in the statement of activities do not require the use of current financial
resources and therefore are not reported as expenditures in governmental funds.

Bond Accretion	(64,348)	
Amortization of Premium	57,796	
Amortization of Deferred Charge on Refundings	(38,711)	
Accrued Interest	1,074	
<i>Total</i>		(44,189)

Some expenses reported in the statement of activities, such as compensated absences,
do not require the use of current financial resources and therefore are not reported
as expenditures in the governmental funds.

Compensated Absences		(71,082)

Changes in Net Position of Governmental Activities \$346,829

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Revenues				
Property Taxes	\$4,732,823	\$4,732,823	\$4,757,487	\$24,664
Intergovernmental	6,144,112	6,144,112	6,423,303	279,191
Interest	4,519	4,519	7,765	3,246
Tuition and Fees	999,931	999,931	1,184,846	184,915
Rent	2,364	2,364	1,366	(998)
Miscellaneous	9,584	9,584	40,885	31,301
Total Revenues	11,893,333	11,893,333	12,415,652	522,319
Expenditures				
Current:				
Instruction:				
Regular	8,751,960	5,587,283	5,495,471	91,812
Special	787,130	1,505,654	1,505,654	0
Vocational	65,869	111,612	111,612	0
Student Intervention Services	1,067	1,323	1,323	0
Support Services:				
Pupils	373,325	874,671	874,671	0
Instructional Staff	177,956	380,094	380,094	0
Board of Education	10,127	20,484	20,484	0
Administration	430,893	860,232	860,232	0
Fiscal	170,326	358,102	358,102	0
Business	20,979	42,390	42,390	0
Operation and Maintenance of Plant	565,396	1,013,653	1,013,653	0
Pupil Transportation	451,079	815,778	815,778	0
Central	25,694	72,006	72,006	0
Extracurricular Activities	208,901	412,887	412,887	0
Debt Service:				
Principal	26,455	54,028	54,028	0
Interest and Fiscal Charges	8,070	15,030	15,030	0
Total Expenditures	12,075,227	12,125,227	12,033,415	91,812
Net Change in Fund Balance	(181,894)	(231,894)	382,237	614,131
Fund Balance Beginning of Year	2,821,644	2,821,644	2,821,644	0
Prior Year Encumbrances Appropriated	275,227	275,227	275,227	0
Fund Balance End of Year	\$2,914,977	\$2,864,977	\$3,479,108	\$614,131

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<i>Private Purpose</i>	
	<u><i>Trust</i></u>	<u><i>Agency</i></u>
<i>Assets</i>		
Equity in Pooled Cash and Cash Equivalents	<u>\$25,930</u>	<u>\$41,720</u>
<i>Total Assets</i>	<u>25,930</u>	<u>\$41,720</u>
<i>Liabilities</i>		
Current Liabilities:		
Accounts Payable	300	\$0
Undistributed Monies	0	465
Due to Students	<u>0</u>	<u>41,255</u>
<i>Total Liabilities</i>	<u>300</u>	<u>\$41,720</u>
<i>Net Position</i>		
Held in Trust for Scholarships	<u>\$25,630</u>	

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	<u><i>Private Purpose Trust</i></u>
<i>Additions</i>	
Gifts and Contributions	\$8,088
Interest	32
<i>Total Additions</i>	<u>8,120</u>
<i>Deductions</i>	
Payments in Accordance with Trust Agreements	<u>9,946</u>
<i>Decrease in Net Position</i>	(1,826)
<i>Net Position Beginning of Year</i>	<u>27,456</u>
<i>Net Position End of Year</i>	<u><u>\$25,630</u></u>

See accompanying notes to the basic financial statements

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Tuslaw Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District and Reporting Entity

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

The School District serves an area of approximately forty-four square miles. It is located in Stark and Wayne Counties and includes portions of Lawrence, Tuscarawas, and Perry Townships, and the City of Massillon. It is staffed by sixty-four classified employees, eighty-eight certified teaching personnel, and nine administrative employees who provide services to 1,425 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

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

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark Portage Area Computer Consortium, Stark County Area Joint Vocational School, Stark County Schools Council of Government and the Ohio School Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net 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. These statements usually distinguish those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

General Fund The general fund is the general operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for or reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

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

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

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

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

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

Deferred 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 the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, 2014, but which were levied to finance fiscal year 2015 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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

Expenditures/Expenses 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 Process

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 set 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. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2014.

F. Cash and Cash Equivalents

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

During fiscal year 2014, investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents (continued)

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$7,516 which includes \$2,005 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

H. Inventory

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

I. Capital Assets

All capital assets of the School District are classified as 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. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two 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.

All reported capital assets, other than 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	20 - 50 years
Furniture and Fixtures	7 - 20 years
Vehicles	8 - 15 years

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

J. 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. The School District records a liability for accumulated unused sick leave and vacation leave benefits when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave benefits is made to the extent that it is probable that benefits will result in termination payments. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

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

K. 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

L. Net Position

Net position represents the difference between all other elements of the statement of net position. Net 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 is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Fund Balance

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance (continued)

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for other purposes.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable 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.

N. Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

R. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

Note 3 - 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 and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Budgetary revenues and expenditures of the latchkey and public school support funds are reclassified to the general fund for GAAP reporting.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 3 - Budgetary Basis of Accounting (Continued)

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

	<i>General</i>
<i>GAAP Basis</i>	\$688,754
Net Adjustment for Revenue Accruals	(476,068)
Net Adjustment for Expenditure Accruals	460,592
Perspective Differences:	
Latchkey	4,233
Public School Support	1,439
Adjustment for Encumbrances	(296,713)
<i>Budget Basis</i>	\$ 382,237

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Bond Retirement Fund	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepaid Items	\$9,132	\$0	\$0	\$9,132
<i>Total Nonspendable</i>	9,132	0	0	9,132
<i>Restricted for</i>				
Food Service	\$0	\$0	\$322,508	\$322,508
Student Activities	0	0	84,590	84,590
Debt Service	0	927,208	0	927,208
Classroom Facilities	0	0	435,757	435,757
Other Purposes	0	0	21,396	21,396
<i>Total Restricted</i>	0	927,208	864,251	1,791,459
<i>Assigned to</i>				
Other Purposes	62,994	0	0	62,994
Purchases on Order	268,375	0	0	268,375
<i>Total Assigned</i>	331,369	0	0	331,369
<i>Unassigned (Deficit)</i>	2,318,730	0		2,318,730
<i>Total Fund Balances</i>	\$2,659,231	\$927,208	\$864,251	\$4,450,690

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 5 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 5 – Deposits and Investments (Continued)

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$1,068,925 of the School District's bank balance of \$5,329,222 was uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2014, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$415,639 has an average maturity of 51.4 days.

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 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 Stark and Wayne Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 6 - Property Taxes (Continued)

Accrued property taxes receivable includes delinquent taxes outstanding and real property and public utility property taxes which were measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2014 was \$153,060 in the general fund and \$24,213 in the debt service fund. The amount available as an advance at June 30, 2013 was \$120,940 in the general fund and \$19,410 in the debt service fund. The difference was in timing and collection by the County Auditors. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<i>2014 First Half Collections</i>		<i>2013 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$160,453,300	93.5%	\$159,216,970	93.8%
Public Utility Personal	11,302,180	6.5	10,640,860	6.2
	\$171,755,480	100.00%	\$169,857,830	100.00%
Tax Rate per \$1,000 of assessed valuation	\$66.90		\$66.90	

Note 7 - Receivables

Receivables at June 30, 2014 consisted primarily of property taxes, accrued interest 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 other than delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
Title VI-B	\$29,724
Title I	53,173
Race to the Top	14,170
Title II-A	46,060
<i>Total Intergovernmental Receivables</i>	\$143,127

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<i>Balance 6/30/13</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance 6/30/14</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$725,598	\$0	\$0	\$725,598
<i>Total Capital Assets, not being depreciated</i>	<u>725,598</u>	<u>0</u>	<u>0</u>	<u>725,598</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	31,166,613	8,090	0	31,174,703
Furniture and Fixtures	1,759,025	44,111	(16,671)	1,786,465
Vehicles	1,307,319	0	0	1,307,319
<i>Total Capital Assets, being depreciated</i>	<u>34,232,957</u>	<u>52,201</u>	<u>(16,671)</u>	<u>34,268,487</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(6,623,170)	(593,360)	0	(7,216,530)
Furniture and Fixtures	(985,928)	(92,566)	16,671	(1,061,823)
Vehicles	(834,996)	(50,321)	0	(885,317)
<i>Total Accumulated Depreciation</i>	<u>(8,444,094)</u>	<u>(736,247)*</u>	<u>16,671</u>	<u>(9,163,670)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>25,788,863</u>	<u>(684,046)</u>	<u>0</u>	<u>25,104,817</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$26,514,461</u>	<u>(\$684,046)</u>	<u>\$0</u>	<u>\$25,830,415</u>

*Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$519,865
Special	7,737
Vocational	1,841
<i>Support Services:</i>	
Pupils	1,202
Instructional Staff	2,080
Administration	1,072
Operation and Maintenance of Plant	8,117
Pupil Transportation	130,071
Extracurricular Activities	46,823
Operation of Non-instructional Services	17,439
<i>Total Depreciation Expense</i>	<u><u>\$736,247</u></u>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with Leonard Insurance Services for property and fleet coverage and Hylant Administrative Services, LLC through the Ohio School Plan for liability coverage. There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the past three years. Coverage type, limits and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$49,232,665	\$5,000
Inland Marine Coverage	Various	500
Automobile Liability	1,000,000	0
Uninsured Motorists	50,000	0
Medical Payments	5,000	0
Crime – Emp Dishonesty	50,000	1,000
General Liability:		
Per Occurrence	4,000,000	2,500
Aggregate	6,000,000	0
Umbrella	3,000,000	0

The School District is a participant in the Stark County Schools Council of Government’s Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services of the GRP.

The School District has contracted with the Stark County Schools Council of Government’s Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,662.50 for family coverage and \$682.86 for single coverage per employee per month.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 345 days of sick leave that may be accumulated for certified employees and classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 73 days.

B. Life Insurance

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

Note 11 - Pension Plans

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$211,445, \$209,537 and \$215,979, respectively. For fiscal year 2014, 66.39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description – 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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 11 - Pension Plans (Continued)

B. State Teachers Retirement System (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$680,619 for the fiscal year ended June 30, 2014, \$694,845 for the fiscal year ended June 30, 2013, and \$712,751 for the fiscal year ended June 30, 2012. For fiscal year 2014, 85.19 percent has been contributed for the DB plan and 85.19 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$11,124 made by the School District and \$8,740 made by the plan members. In addition, member contributions of \$12,744 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$27,117 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$29,098, \$29,070, and \$33,137, respectively. For fiscal year 2014, 66.39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$11,944, \$11,836, and \$12,755, respectively. For fiscal year 2014, 66.39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 12 - Postemployment Benefits (Continued)

B. State Teachers Retirement System (continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$52,355, \$53,450, and \$54,827, respectively. For fiscal year 2014, 85.19 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	<i>Balance</i>			<i>Balance</i>		<i>Amounts</i>
	<u><i>6/30/13</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>6/30/14</i></u>	<u><i>In One Year</i></u>	<u><i>Due</i></u>
<i>Compensated Absences</i>	\$784,383	\$213,216	(\$142,134)	\$855,465		\$77,580
<i>HB 264 Qualified School Construction Bonds:</i>						
\$878,000 6.15% Energy Conservation Bonds	729,166	0	(54,028)	675,138		55,168
<i>2011 OSFC High School Bonds (#1 Refunding):</i>						
\$9,235,000, 3.2% Serial Bonds	9,150,000	0	(90,000)	9,060,000		90,000
\$169,960, 21.15% Capital Appreciation Bonds	169,960	0	0	169,960		0
Accretion on Capital Appreciation Bonds	63,909	52,051	0	115,960		0
Premium	541,242	0	(30,928)	510,314		0
<i>Total 2011 OSFC Bonds</i>	<u>9,925,111</u>	<u>52,051</u>	<u>(120,928)</u>	<u>9,856,234</u>		<u>90,000</u>
<i>2012 OSFC High School Bonds (#2 Refunding):</i>						
\$2,505,000, 1.49% Serial Bonds	2,470,000	0	(485,000)	1,985,000		495,000
\$44,158, 19.7% Capital Appreciation Bonds	44,158	0	0	44,158		0
Accretion on Capital Appreciation Bonds	15,350	12,297	0	27,647		0
Premium	120,908	0	(26,868)	94,040		0
<i>Total 2012 OSFC Bonds</i>	<u>2,650,416</u>	<u>12,297</u>	<u>(511,868)</u>	<u>2,150,845</u>		<u>495,000</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$14,089,076</u>	<u>\$277,564</u>	<u>(\$828,958)</u>	<u>\$13,537,682</u>		<u>\$717,748</u>

Compensated absences payments are paid from the general fund.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 13 - Long-Term Obligations (Continued)

During fiscal year 2010, \$878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

On November 17, 2011, the School District issued \$9,404,960 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$9,235,000 and \$169,960, respectively. The bonds were issued for a nineteen year period with a final maturity at December 1, 2030. The final maturity amount of outstanding capital appreciation bonds at June 30, 2014, is \$895,000. The accretion recorded for 2014 was \$52,051, for a total outstanding bond liability of \$285,920.

The bonds were sold at a premium of \$590,211. Net proceeds of \$9,836,375 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2014, \$8,870,550 of the defeased bonds are still outstanding.

On December 14, 2011, the School District issued \$2,549,158 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$2,505,000 and \$44,158, respectively. The bonds were issued for a seven year period with a final maturity at December 1, 2018. The final maturity amount of outstanding capital appreciation bonds at June 30, 2014, is \$150,000. The accretion recorded for 2014 was \$12,297, for a total outstanding bond liability of \$71,805.

The bonds were sold at a premium of \$161,210. Net proceeds of \$2,646,646 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2014, \$2,419,460 of the defeased bonds are still outstanding.

The School District's overall debt margin is \$3,523,737 and the unvoted debt margin is \$171,755.

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

2011 and 2012 OSFC Bonds

<i>Fiscal Year</i>	<i>Serial and Term Bonds</i>		<i>Capital Appreciation Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
<i>Ending June 30,</i>				
2015	\$585,000	\$313,750	\$0	\$0
2016	600,000	301,900	0	0
2017	615,000	289,750	0	0
2018	555,000	278,050	22,709	47,291
2019	550,000	267,000	21,449	58,551
2020-2024	2,460,000	1,186,282	169,960	725,040
2025-2029	3,920,000	649,981	0	0
2030-2031	1,760,000	62,125	0	0
Total	\$11,045,000	\$3,348,838	\$214,118	\$830,882

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 13 - Long-Term Obligations (Continued)

2011 Energy Conservation Bonds

<i>Fiscal Year</i>		
<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
<i>2015</i>	<i>\$55,168</i>	<i>\$13,890</i>
<i>2016</i>	<i>56,333</i>	<i>12,725</i>
<i>2017</i>	<i>57,522</i>	<i>11,536</i>
<i>2018</i>	<i>58,736</i>	<i>10,322</i>
<i>2019</i>	<i>59,976</i>	<i>9,082</i>
<i>2020-2024</i>	<i>319,417</i>	<i>25,873</i>
<i>2025</i>	<i>67,986</i>	<i>1,073</i>
<i>Total</i>	<i>\$675,138</i>	<i>\$84,501</i>

Note 14 - Jointly Governed Organizations

A. Stark Portage Area Computer Consortium

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts. During fiscal year 2014, the School District paid \$76,754 to SPARCC for services rendered.

B. Stark County Area Joint Vocational School

The Stark County Area Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Area Joint Vocational School possesses its own budgeting and taxing authority. The Stark County Area Joint Vocational School provides vocational instruction to students of participating districts. To obtain financial information write to the Stark County Area Joint Vocational School, 2800 Richville Drive, S.E., Massillon, Ohio 44646.

Note 15 - Public Entity Risk Pools

A. Stark County Schools Council of Government

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 15 - Public Entity Risk Pools

B. Ohio School Plan

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. OSBA, BASA and OASBO executive directors serve as ex-officio members. Approximately 270 educational entities are members of the Plan. The Plan's board elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to the Ohio School Plan, Hylant Administrative Services, 811 Madison Avenue, Toledo, Ohio 43604.

Note 16 – Contingencies

The School District received 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. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Note 17 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements.

The following cash basis information describes the set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	<i>Capital Acquisition</i>
<i>Set-Aside Reserve Balance as of June 30, 2013</i>	\$0
Current Year Set-Aside Requirement	243,360
Current Year Offsets	(575,000)
Qualifying Disbursements	(186,971)
<i>Total</i>	(<i>\$518,611</i>)
<i>Set-Aside Balance Carried Forward to Future Years</i>	\$0
<i>Set-Aside Reserve Balance as of June 30, 2014</i>	\$0

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2014

Note 18 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$296,713
Other Governmental Funds	<u>35,213</u>
Total	<u><u>\$331,926</u></u>

Note 19 – Subsequent Event

On November 4, 2014, voters approved the renewal of a 7 mill, 10 year emergency property tax levy to provide for the operations of the School District. This levy generates approximately \$1.2 million annually for the School District.

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**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<i>Federal Grantor/Pass Through Grantor Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass through Entity Number</i>	<i>Receipts</i>	<i>Expenditures</i>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	10.555	006-0000	\$34,186	\$34,186
Cash Assistance:				
National School Breakfast Program	10.553	006-0000	21,896	21,896
National School Lunch Program	10.555	006-0000	190,177	190,177
Total U.S. Department of Agriculture - Child Nutrition Cluster			246,259	246,259
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed through the Ohio Department of Education:</i>				
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	516-9913	43,682	24,576
		516-9914	250,813	248,096
<i>Total Special Education Cluster</i>			294,495	272,672
Title I Grants to Local Educational Agencies	84.010	572-9913	71,893	40,053
		572-9914	235,258	235,590
<i>Total Title I Grants to Local Educational Agencies</i>			307,151	275,643
Improving Teacher Quality State Grants	84.367	590-9913	4,106	9,482
		590-9914	15,822	11,771
<i>Total Improving Teacher Quality State Grants</i>			19,928	21,253
ARRA - Race to the Top Incentive Grants	84.395	506-9913	2,440	1,725
		506-9914	29,619	32,953
<i>Total ARRA - Race to the Top Incentive Grants</i>			32,059	34,678
Total U.S. Department of Education			653,633	604,246
Total Federal Assistance			\$899,892	\$850,505

The accompanying notes are an integral part of this schedule.

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Tuslaw Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States 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 Tuslaw Local School District, Stark County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinion 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 correct misstatements. A *material weakness* is a deficiency, or 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, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the 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 we must report under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Tuslaw Local School District's (the District) 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 the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program 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 federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Tuslaw Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The 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 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 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 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.



Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2015

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster – CFDA# 10.553 (School Breakfast Program) and 10.555 (National School Lunch Program)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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TUSLAW LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 17, 2015**