



Dave Yost • Auditor of State



**TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY  
JUNE 30, 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund .....	21
Statement of Fund Net Position	
Proprietary Fund .....	22
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund .....	23
Statement of Cash Flows	
Proprietary Fund .....	24
Statement of Fiduciary Net Position	
Fiduciary Fund.....	25
Notes to the Basic Financial Statements .....	27
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	55
State Teachers Retirement System (STRS) of Ohio.....	57
Schedule of District's Contributions	
School Employees Retirement System (SERS) of Ohio .....	58
State Teachers Retirement System (STRS) of Ohio.....	60

TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY  
JUNE 30, 2016

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
Schedule of Federal Awards Receipts and Expenditures (Prepared by Management) .....	63
Notes to the Schedule of Federal Awards Receipts and Expenditures (Prepared by Management).....	64
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	65
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	67
Schedule of Findings.....	69
Summary Schedule of Prior Audit Findings (Prepared by Management).....	71
Corrective Action Plan (Prepared by Management) .....	73



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Tallmadge City School District  
Summit County  
486 East Avenue  
Tallmadge, Ohio 44278

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tallmadge City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2016, 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, the major fund, and the aggregate remaining fund information of Tallmadge City School District, Summit County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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*, and schedules of net pension liabilities and pension contributions 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 Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, 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 initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 27, 2017

**THIS PAGE INTENTIONALLY LEFT BLANK.**



**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

---

This discussion and analysis of Tallmadge City School District's (District) financials provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; for more detail on the financial status of the District the reader is encouraged to look at the financial statements along with the 5-year projections along with accompanying notes to the basic financial statements.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- General revenues accounted for \$27,988,986 in revenue or 90.3 percent of all operating revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and interest, and capital grants and contributions accounted for \$3,007,303 or 9.7 percent of total operating revenues of \$30,996,289.
- The District had \$29,228,985 in expenses related to governmental activities; only \$3,007,303 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$27,988,986 were not adequate to provide for these programs.
- The District's net pension liability increased to \$37,508,484 and remains the largest liability on the District's Statement of Net Position. Total liabilities, excluding the net pension liability, totaled \$28,250,726. For more information on this liability see Note 10 to the basic financial statements.

**Using this Annual Financial Report**

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

The statement of net position and statement of activities provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one "other" column. In the case of the District, the general fund is the most significant fund of the District and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While these statements contain information about the large number of funds used by the District to provide for programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, the financial position of the District has improved or diminished.

**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

---

The causes of this change may be the result of many factors, which may or may not be financial in nature. Non-financial factors include the District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

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

*Fund Financial Statements*

The analysis of the District's major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

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

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the 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.

**Proprietary Fund** The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** The District's only Fiduciary Fund is the Student Managed Activities Fund. The District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities, Fiduciary Funds. We exclude these activities from the District's other financial statements because these assets cannot be utilized by the District to finance its operations.

**Government-wide Financial Analysis** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets (including deferred outflows) were less than liabilities (including deferred inflows) by (\$14,708,566) according to the Statement of Net Position at the close of the most recent fiscal year. The negative net position is solely attributed to the implementation of GASB 68 as the District recorded a net pension liability in the amount of \$37,508,484.

**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 1 provides a summary of the District's net position for 2016 compared to 2015:

**Table 1**  
**Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current and Other Assets	\$26,134,303	\$26,831,990
Capital Assets, Net of Depreciation	36,029,105	36,202,402
Total Assets	62,163,408	63,034,392
<b>Deferred Outflows of Resources</b>	4,325,993	2,568,039
<b>Liabilities</b>		
Current and Other Liabilities	3,350,863	3,123,774
Long-term Liabilities:		
Due Within One Year	1,287,860	1,264,034
Due in More Than One Year	61,120,487	57,899,782
Total Liabilities	65,759,210	62,287,590
<b>Deferred Inflows of Resources</b>	15,438,757	19,790,711
<b>Net Position</b>		
Net Investment in Capital Assets	14,437,301	13,107,700
Restricted	2,888,925	3,032,583
Unrestricted	(32,034,792)	(32,616,153)
Total Net Position	(\$14,708,566)	(\$16,475,870)

During the prior fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68" significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

---

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the District, part of a bargained-for benefit to the employee, and should accordingly be reported by the District as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute.

A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Total assets decreased by \$870,984 which mainly can be attributed to a decrease in taxes receivable from the prior year.

Total liabilities increased by \$3,471,620 which was due mostly to an overall increase in the net pension liability during the fiscal year.

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the overall position of the District has increased as evidenced by the increase in net position of \$1,767,304, or 10.7 percent from the prior fiscal year.

**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 2 shows a comparison of net position for fiscal year 2016 to fiscal 2015.

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

	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$1,270,960	\$1,450,018
Operating Grants, Contributions and Interest	1,424,737	923,959
Capital Grants and Contributions	311,606	311,842
Total Program Revenues	3,007,303	2,685,819
General Revenues:		
Property Taxes	15,814,366	16,899,750
Grants and Entitlements	11,752,279	12,034,599
Investment Earnings	4,360	4,127
Miscellaneous	417,981	377,178
Total General Revenues	27,988,986	29,315,654
<b>Program Expenses</b>		
Instruction:		
Regular	13,574,137	12,771,489
Special	2,988,330	2,849,914
Vocational	868,557	893,550
Adult/Continuing	74,686	100,166
Support Services:		
Pupil	1,341,255	1,417,156
Instructional Staff	286,200	316,490
Board of Education	31,142	61,903
Administration	2,060,125	1,896,504
Fiscal	848,257	836,868
Business	118,754	163,413
Operation and Maintenance of Plant	1,847,497	2,042,262
Pupil Transportation	1,992,796	2,002,854
Central	441,899	494,310
Operation Non-Instructional Services	986,991	984,735
Extracurricular Activities	1,056,043	896,410
Interest and Fiscal Charges	712,316	754,729
Total Program Expenses	29,228,985	28,482,753
Change in Net Position	1,767,304	3,518,720
Net Position Beginning of Year	(16,475,870)	(19,994,590)
Net Position End of Year	(\$14,708,566)	(\$16,475,870)

GASB No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB No. 68, the fiscal year 2016 statements report pension expense of \$2,081,002.

**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

---

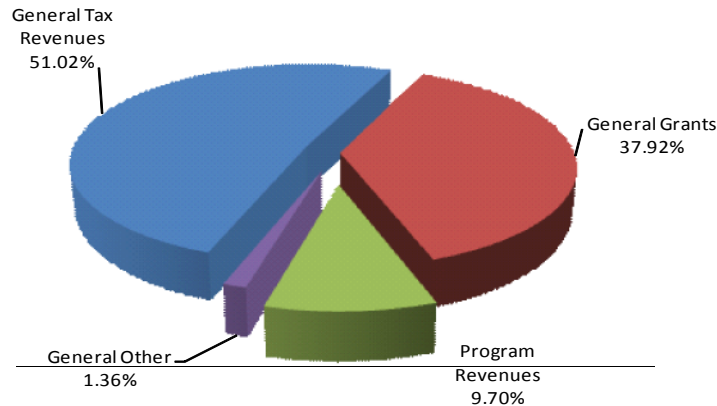
The primary sources of revenue for governmental activities are derived from grants and entitlements and property taxes. These revenue sources represent approximately 94.5 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$17,505,710 or 59.9 percent of total governmental expenses. Support service expenses totaled \$8,967,925, or 30.7 percent of total governmental expenses for fiscal year 2016.

***Governmental Activities***

In 2016, net position of the District's governmental activities decreased by \$424,748. This decrease is a result of a decrease in property tax and grants and entitlement not restricted to specific programs revenues, as well as an increase in regular instruction expense.

Tallmadge City School District depends on both property taxes and State funding. All of the operating tax levies of the District are continuing except for the levy passed in May 2001 and the five year 6.9 mill emergency levy passed in November 2009. The May 2001 levy was renewed in 2006 and 2011 and generates annual revenues of approximately \$2.83 million. The more recent levy passed in November 2009 will generate \$2.86 million per year. This levy was on the ballot in November of 2013 and passed for a renewal period of 10 years. The levy originally passed in May 2001 was placed on the ballot in November of 2015 and was also passed for a renewal period of ten years. Now all but two of the district levies are continuing and those two are on a ten year renewal cycle.



The District's reliance upon tax revenues is demonstrated by the graph above that indicates 51.02% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net cost services column in table 3 reflecting the need for \$28.0 million dollars of support as well as the graph indicating general revenues comprise 90.30% of total revenues.

The community has been very supportive of the Tallmadge City School District by a history of voter approval of levies. In November of 2013 the voters renewed for a 10 year period, the 6.9 mill emergency levy first passed in November 2009 (mentioned above) in very challenging economic times. Collection for this new levy began in 2010 and accounts for 16.7% of voted tax revenue, and 10.1% of overall revenue. The levy initially passed in May 2001, was renewed in November of 2015 for a 10 year period, and is very close to the 2009 levy in the amount it collects and accounts for nearly the same percentages of revenue for the District.

**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Even more recently, and more evidence of the community support that the district enjoys, is the passage of two bond issues in the November 2016 election. The first bond issue, a 3.86 mill levy, is a project in cooperation with the OSFC where the district will build a new K-5 elementary building and also, a new 6-8 middle school. The second bond issue, a .9 mill levy, is a district project to build a new athletic facility which will be on the campus of the new (2008) high school. This will include a new stadium, and the relocation of the baseball, and softball fields.

Instruction comprises 59.00% of governmental program expenses. Historically, the District has promoted excellence in educational programs by the allocation of resources in all instructional areas.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program Expenses</b>				
Instruction:				
Regular	\$13,574,137	\$13,233,345	\$12,771,489	\$12,306,220
Special	2,988,330	2,327,455	2,849,914	2,503,754
Vocational	868,557	857,093	893,550	873,864
Adult/continuing	74,686	(1,934)	100,166	12,262
Support services:				
Pupils	1,341,255	1,279,459	1,417,156	1,341,633
Instructional staff	286,200	265,045	316,490	304,562
Board of education	31,142	30,656	61,903	60,500
Administration	2,060,125	1,857,532	1,896,504	1,677,118
Fiscal	848,257	581,431	836,868	572,917
Business	118,754	116,521	163,413	159,543
Operation and maintenance of plant	1,847,497	1,801,656	2,042,262	1,984,537
Pupil transportation	1,992,796	1,863,965	2,002,854	1,852,012
Central	441,899	435,862	494,310	483,317
Operation non-instructional services	986,991	95,141	984,735	229,065
Extracurricular activities	1,056,043	766,139	896,410	680,901
Interest and fiscal charges	712,316	712,316	757,729	754,729
 Total Expenses	 <u>\$29,228,985</u>	 <u>\$26,221,682</u>	 <u>\$28,485,753</u>	 <u>\$25,796,934</u>

**Tallmadge City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2016  
 Unaudited

---

**District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$31,187,771 and total expenditures were \$31,630,161. The District was most recently on the ballot for new monies in November 2009 successfully passing a 6.9 mill five year emergency levy. This emergency levy generates \$2.86 million per year, and was on the ballot for renewal in November 2013, this time for a 10 year period of time. It passed.

The general fund's net change in fund balance for fiscal year 2016 was a decrease of \$442,390. Revenue in the general fund was \$26,860,362, which was a decrease of \$1,077,961 over the revenue in fiscal year 2015. Most of this decrease was in the area of property and other local taxes. Expenditures were \$1,093,927 higher than the fiscal year 2015 total of \$25,929,230.

**General Fund Budgeting Highlights**

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

During fiscal year 2016, the District from time to time amended its general fund budget with minor modifications. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budget basis revenue estimate was \$25,567,470. The final budget basis revenue was \$26,364,298.

The District's net change in general fund balance was a decrease of \$969,874. The decrease in fiscal year 2016 was a result of an increase in regular instruction expenditures in the amount of approx \$523,000. For 10 years the District has been on the guarantee for state funding purposes. Being on the guarantee assures a district that you won't receive any less state monies than the previous year. It also means that there is no increase in funding. However Fiscal Year 2014 brought a new state funding formula which actually resulted in an increase in State funding to Tallmadge City Schools and that trend continued in Fiscal Year 2016.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2016, the District had \$36,029,105 invested in land, buildings and improvements, furniture, fixtures, and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

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

	Governmental Activities	
	2016	2015
Land	\$3,354,650	\$3,354,650
Buildings and Improvements	31,893,331	32,070,703
Furniture, Fixtures, and Equipment	717,337	676,451
Vehicles	63,787	100,598
Total Capital Assets	\$36,029,105	\$36,202,402



**Tallmadge City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2016  
 Unaudited

---

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

**Debt**

At June 30, 2016 the District had \$21,564,482 of its bonds, (\$30,190,000) which were sold on April 26, 2005 outstanding. Principal due on the bonds within one year totals \$1,130,000. Table 5 summarizes the bonds and notes outstanding.

**Table 5**  
**Outstanding Debt, at Fiscal Year End**

	Governmental Activities 2016	Governmental Activities 2015
2005 Bond Issue - HS Building Project	\$21,564,482	\$22,649,482

The HS Building Project Bonds were issued April of 2005 due to the passage of the Bond Issue Levy on November 2, 2004. The levy was a 4.69 mill \$30,500,000 issue. The total bond indebtedness resulted in \$30,190,000 due to bonds being sold at a premium and generating enough funding to retire the notes. The effective millage for the bond issue, due to the last reappraisal reduction in property value is now 5.48 mills. A portion of the bonds (\$9,554,039) were refinanced October 24, 2012 and the remainder of the outstanding bonds (\$14,684,991) was refinanced on April 9, 2013.

At June 30, 2016, the District's overall legal debt limitation was \$40,249,425, based on nine percent of the taxable valuation, with an unvoted debt margin of \$21,083,032. The District's current rating as issued by Standard & Poor's is AAA (Insured) with a recently upgraded AA- (Underlying)/Stable rating. See Note 13 to the basic financial statements for detail on the District's long-term obligations.

**Current Issues Affecting Financial Condition**

With the passage of the renewal, of the November 2009, 6.9 mill emergency levy in 2013 for a 10 year period, and the 3rd renewal, also for 10 years, in November 2015 of the operating levy originally passed in 2001, the District is experiencing financial stability. The District also renewed its 1.25 mill permanent improvement levy in November 2015 for a continuing period. The recently adopted five year forecast shows that Fiscal Year 2017 is the year that expenditures surpass revenue at a significant level. Once that happens, and without additional State revenue, the District will need additional revenue prior to Fiscal Year 2020.

The State's biennium budget, House Bill (HB) 59, established a new formula for school funding. The new formula worked in favor of Tallmadge Schools as we saw in increase both in Fiscal Year 14 and again in Fiscal Year 15. This was a helpful change as we had been on the "guarantee" for a number of years with no increase in state funding. The adopted budget bill HB64 for Fiscal Year 2016/2017 continued that same formula with a few tweaks. The formula increases for the District has continued, however on a lesser scale. Unfortunately, the elimination of the reimbursement of personal tangible tax will offset the increase in fiscal year 2017 resulting in a loss of overall state funding.

**Tallmadge City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

---

In an effort to complete the District's master plan with the Ohio Schools Facilities Commission (OSFC) the District reached out to the community in order to facilitate the sharing of ideas of what the District's facility needs are and how best to meet those needs from a building and location standpoint. The outcome of those meetings resulted in a change to the master plan. The new plan is to build a new K-5 building and a new 6-8 middle school on the current middle school site, raising the current 6-8 middle school (old high school) building. The other plan which came out of those community meetings was to relocate and build a new athletic stadium and relocate the baseball and softball fields to the new high school site. This resulted in the District placing two separate bond issues on the November 2016 ballot. The first issue was for the new buildings was a 3.86 mill bond issue, and the second was a .9 mill bond issue. Both issues passed

**Contacting the District's Financial Management**

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

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,465,548
Receivables:	
Accounts	1,062
Intergovernmental	116,609
Taxes	16,531,973
Inventory Held for Resale	19,111
Non-Depreciable Capital Assets	3,354,650
Depreciable Capital Assets, Net	<u>32,674,455</u>
<i>Total Assets</i>	<u>62,163,408</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>4,325,993</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	169,264
Accrued Wages and Benefits	2,010,864
Intergovernmental Payable	693,605
Matured Compensated Absences Payable	84,434
Claims Payable	392,696
Long-Term Liabilities:	
Due Within One Year	1,287,860
Due In More Than One Year:	
Net Pension Liability	37,508,484
Other Amounts Due in More Than One Year	<u>23,612,003</u>
<i>Total Liabilities</i>	<u>65,759,210</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance	
Current Year Operations	13,042,128
Pension	<u>2,396,629</u>
<i>Total Deferred Inflows of Resources</i>	<u>15,438,757</u>
<b>Net Position</b>	
Net Investment in Capital Assets	14,437,301
Restricted for:	
Debt Service	1,013,900
Capital Projects	1,522,925
Other Purposes	352,100
Unrestricted	<u>(32,034,792)</u>
<i>Total Net Position</i>	<u>(\$14,708,566)</u>

See Accompanying Notes to the Basic Financial Statements

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$13,574,137	\$251,926	\$88,866	\$0	(\$13,233,345)
Special	2,988,330	33,095	627,780	0	(2,327,455)
Vocational	868,557	11,464	0	0	(857,093)
Adult/Continuing	74,686	94	76,526	0	1,934
Support Services:					
Pupils	1,341,255	18,750	43,046	0	(1,279,459)
Instructional Staff	286,200	7,864	13,291	0	(265,045)
Board of Education	31,142	486	0	0	(30,656)
Administration	2,060,125	144,699	820	57,074	(1,857,532)
Fiscal	848,257	12,294	0	254,532	(581,431)
Business	118,754	2,233	0	0	(116,521)
Operation and Maintenance of Plant	1,847,497	32,714	13,127	0	(1,801,656)
Pupil Transportation	1,992,796	116,722	12,109	0	(1,863,965)
Central	441,899	6,037	0	0	(435,862)
Operation of Non-Instructional Services	986,991	345,538	546,312	0	(95,141)
Extracurricular Activities	1,056,043	287,044	2,860	0	(766,139)
Interest and Fiscal Charges	712,316	0	0	0	(712,316)
<i>Totals</i>	<u>29,228,985</u>	<u>1,270,960</u>	<u>1,424,737</u>	<u>311,606</u>	<u>(26,221,682)</u>

**General Revenues:**

Property Taxes Levied for:

General Purposes	13,901,564
Capital Projects	316,476
Debt Service	1,596,326
Grants and Entitlements not Restricted to Specific Programs	11,752,279
Investment Earnings	4,360
Miscellaneous	417,981

*Total General Revenues* 27,988,986

Change in Net Position 1,767,304

*Net Position Beginning of Year* (16,475,870)

*Net Position End of Year* (\$14,708,566)

See Accompanying Notes to the Basic Financial Statements.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,779,806	\$2,434,608	\$8,214,414
Receivables:			
Accounts	727	126	853
Intergovernmental	0	116,609	116,609
Taxes	14,595,720	1,936,253	16,531,973
Interfund	143,763	0	143,763
Inventory Held For Resale	0	19,111	19,111
<i>Total Assets</i>	<u>\$20,520,016</u>	<u>\$4,506,707</u>	<u>\$25,026,723</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$164,932	\$4,332	\$169,264
Accrued Wages and Benefits	1,884,363	126,501	2,010,864
Interfund Payable	0	143,763	143,763
Intergovernmental Payable	642,956	50,649	693,605
Matured Compensated Absences Payable	84,434	0	84,434
<i>Total Liabilities</i>	<u>2,776,685</u>	<u>325,245</u>	<u>3,101,930</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance			
Current Year Operations	11,491,585	1,550,543	13,042,128
Unavailable Revenue	117,501	129,050	246,551
<i>Total Deferred Inflows of Resources</i>	<u>11,609,086</u>	<u>1,679,593</u>	<u>13,288,679</u>
<b>Fund Balances</b>			
Nonspendable			
Inventory	0	19,111	19,111
Restricted			
Capital Improvements	0	1,520,423	1,520,423
Debt Service	0	1,003,961	1,003,961
District Managed Activities	0	129,395	129,395
Miscellaneous Grants	0	10,880	10,880
Other Purposes	0	32,627	32,627
Scholarships	0	75,174	75,174
Vocational Education	0	16,662	16,662
Committed			
Underground Storage Tank	16,179	0	16,179
Assigned			
Public School Support	65,775	0	65,775
Other Purposes	883,389	0	883,389
Unassigned	5,168,902	(306,364)	4,862,538
<i>Total Fund Balances</i>	<u>6,134,245</u>	<u>2,501,869</u>	<u>8,636,114</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$20,520,016</u>	<u>\$4,506,707</u>	<u>\$25,026,723</u>

See Accompanying Notes to the Basic Financial Statements

**Tallmadge City School District**  
**Summit County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2016**

---

**Total Governmental Funds Balances** \$8,636,114

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

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

Land	3,354,650	
Buildings and Improvements, Net	31,893,331	
Furniture, Fixture and Equipment, Net	717,337	
Vehicles, Net	<u>63,787</u>	
Total		36,029,105

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

Taxes	129,942	
Intergovernmental Revenue	<u>116,609</u>	
Total		246,551

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 858,647

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds

Deferred Outflows - Pension	4,325,993	
Deferred Inflows - Pension	(2,396,629)	
Net Pension Liability	<u>(37,508,484)</u>	(35,579,120)

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

Compensated Absences Payable	(2,914,895)	
General Obligation Bonds	<u>(21,984,968)</u>	
Total		<u>(24,899,863)</u>

*Net Position of Governmental Activities* (\$14,708,566)

See Accompanying Notes to the Basic Financial Statements.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$14,175,011	\$1,947,655	\$16,122,666
Intergovernmental	11,760,223	1,508,775	13,268,998
Interest	4,360	0	4,360
Tuition and Fees	221,735	0	221,735
Rent	71,264	0	71,264
Extracurricular Activities	315,611	242,870	558,481
Gifts and Donations	1,469	101,546	103,015
Customer Sales and Services	69,471	350,009	419,480
Miscellaneous	241,218	176,554	417,772
<i>Total Revenues</i>	<u>26,860,362</u>	<u>4,327,409</u>	<u>31,187,771</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	13,344,011	89,642	13,433,653
Special	2,469,317	667,692	3,137,009
Vocational	863,514	0	863,514
Adult/Continuing	7,009	69,250	76,259
Support Services:			
Pupils	1,408,529	39,923	1,448,452
Instructional Staff	298,648	12,777	311,425
Board of Education	36,377	0	36,377
Administration	1,848,640	246,953	2,095,593
Fiscal	910,423	36,288	946,711
Business	165,399	0	165,399
Operation and Maintenance of Plant	1,993,341	20,925	2,014,266
Pupil Transportation	2,001,225	10,658	2,011,883
Central	460,355	0	460,355
Operation of Non-Instructional Services	136,881	956,959	1,093,840
Extracurricular Activities	850,989	219,386	1,070,375
Capital Outlay	228,499	414,501	643,000
Debt Service:			
Principal Retirement	0	1,085,000	1,085,000
Interest and Fiscal Charges	0	737,050	737,050
<i>Total Expenditures</i>	<u>27,023,157</u>	<u>4,607,004</u>	<u>31,630,161</u>
<i>Net Change in Fund Balances</i>	(162,795)	(279,595)	(442,390)
<i>Fund Balances Beginning of Year</i>	<u>6,297,040</u>	<u>2,781,464</u>	<u>9,078,504</u>
<i>Fund Balances End of Year</i>	<u>\$6,134,245</u>	<u>\$2,501,869</u>	<u>\$8,636,114</u>

See Accompanying Notes to the Basic Financial Statements.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

---

**Net Change in Fund Balances - Total Governmental Funds** (\$442,390)

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

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

Capital Asset Additions	643,000	
Depreciation	(816,297)	
Total		(173,297)

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

Property Tax	(308,300)	
Grants	116,609	
Total		(191,691)

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

General Obligation Bonds		1,085,000
--------------------------	--	-----------

Contractually required pension contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

2,346,367

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.

(1,451,612)

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

Compensated Absences	87,395	
Amortization of Premium on Bonds	24,734	
Total		112,129

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

482,798

*Change in Net Position of Governmental Activities*

\$1,767,304

See Accompanying Notes to the Basic Financial Statements.



**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$13,970,903	\$13,970,903	\$14,155,921	\$185,018
Intergovernmental	10,919,746	11,670,066	11,760,223	90,157
Interest	4,048	4,327	4,360	33
Tuition and Fees	134,828	144,092	145,205	1,113
Rent	66,171	70,718	71,264	546
Extracurricular Activities	37,711	40,303	40,614	311
Customer Sales and Services	64,506	68,938	69,471	533
Miscellaneous	15,977	17,075	17,207	132
Total Revenues	<u>25,213,890</u>	<u>25,986,422</u>	<u>26,264,265</u>	<u>277,843</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,369,914	13,454,473	13,454,475	(2)
Special	2,538,121	2,486,047	2,486,048	(1)
Vocational	885,620	862,559	862,559	0
Adult/Continuing	25,041	7,009	7,009	0
Support Services:				
Pupils	1,374,439	1,415,904	1,415,906	(2)
Instructional Staff	321,747	330,319	330,320	(1)
Board of Education	68,845	38,386	38,387	(1)
Administration	1,866,242	1,835,713	1,835,713	0
Fiscal	922,051	946,933	946,934	(1)
Business	170,575	170,749	170,749	0
Operation and Maintenance of Plant	2,275,199	2,325,355	2,325,352	3
Pupil Transportation	1,968,758	2,025,664	2,025,665	(1)
Central	523,725	503,266	503,266	0
Operation of Non-Instructional Service	153,661	163,725	163,725	0
Extracurricular Activities	783,566	820,329	820,327	2
Capital Outlay	228,499	228,499	228,499	0
Total Expenditures	<u>27,476,003</u>	<u>27,614,930</u>	<u>27,614,934</u>	<u>(4)</u>
Excess(Deficiency) of Revenues Over(Under) Expenditures	<u>(2,262,113)</u>	<u>(1,628,508)</u>	<u>(1,350,669)</u>	<u>277,839</u>
<b>Other Financing Sources</b>				
Transfers In	0	143,267	144,374	1,107
Refund of Prior Year Expenditures	353,580	234,609	236,421	1,812
Total Other Financing Sources	<u>353,580</u>	<u>377,876</u>	<u>380,795</u>	<u>2,919</u>
Net Change in Fund Balance	(1,908,533)	(1,250,632)	(969,874)	280,758
Fund Balance at Beginning of Year	5,077,044	5,077,044	5,077,044	0
Prior Year Encumbrances Appropriated	749,813	749,813	749,813	0
Fund Balance at End of Year	<u>\$3,918,324</u>	<u>\$4,576,225</u>	<u>\$4,856,983</u>	<u>\$280,758</u>

See Accompanying Notes to the Basic Financial Statements.

**Tallmadge City School District  
Summit County, Ohio  
Statement of Fund Net Position  
Proprietary Fund  
June 30, 2016**

---

	Governmental Activities - Internal Service Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,251,134
Accounts Receivable	209
<i>Total Assets</i>	<u>1,251,343</u>
<b>Liabilities</b>	
Claims Payable	<u>392,696</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$858,647</u></u>

See Accompanying Notes to the Basic Financial Statements

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Net Position**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2016**

---

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$3,754,428
Other Revenue	209
<i>Total Revenues</i>	<u>3,754,637</u>
<b>Operating Expenditures</b>	
Purchased Services	595,531
Claims	<u>2,676,308</u>
<i>Total Operating Expenditures</i>	<u>3,271,839</u>
<i>Net Change in Fund Balances</i>	482,798
<i>Net Position Beginning of Year</i>	<u>375,849</u>
<i>Net Position End of Year</i>	<u><u>\$858,647</u></u>

See Accompanying Notes to the Basic Financial Statements.

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended December 31, 2016**

---

	Governmental Activities
	Internal Service Fund
	<u>                    </u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$3,754,428
Cash Payments for Claims	(2,539,788)
Cash Payments for Goods and Services	<u>(595,531)</u>
Net Cash Provided by Operating Activities	<u>619,109</u>
Net Increase in Cash and Cash Equivalents	619,109
Cash and Cash Equivalents Beginning of Year	<u>632,025</u>
Cash and Cash Equivalents End of Year	<u><u>\$1,251,134</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	<u>\$482,798</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities (Increase) in Operating Assets:</b>	
Accounts Receivable	(209)
<b>Increase in Operating Liabilities:</b>	
Claims Payable	<u>136,520</u>
Total Adjustments	<u>136,311</u>
Net Cash Provided by Operating Activities	<u><u>\$619,109</u></u>

See Accompanying Notes to the Basic Financial Statements

**Tallmadge City School District**  
**Summit County, Ohio**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2016**

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$35,959</u></u>
<b>Liabilities</b>	
Due to Students	<u><u>\$35,959</u></u>

See Accompanying Notes to the Basic Financial Statements.

*This page intentionally left blank.*

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**Note 1 - Description of the District**

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

The District is primarily located in Summit County with a small portion located in Portage County and encompasses nearly all of the City of Tallmadge. The District provides educational services as mandated by state and federal agencies. The Board controls the District’s eight instructional/support facilities staffed by 90 classified employees and 181 certified full-time personnel who provide services to 2,515 students and other community members. The District currently operates two elementary buildings, one middle school, one high school, an administrative building, an annex, a maintenance garage and a bus garage.

***Reporting Entity***

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

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

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

The 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.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

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

The statement of net position presents the financial condition of the governmental activities of the 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 District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 District.

**Fund Financial Statements** During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

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

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

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

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

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



**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

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

***C. Measurement Focus***

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

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

***D. Basis of Accounting***

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

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

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension. The deferred outflows related to pensions are explained in Note 10.

In additions to liabilities, the statements of financial position will 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 District, deferred inflows include property taxes, pension, and unavailable revenues. Property taxes are recognized as revenue in the fiscal year for which taxes have been levied, provided they are collected and certified by the county auditor by the fiscal year-end. Additionally, taxes collected more than thirty days after fiscal year-end are recorded as a receivable with an offset to deferred inflows for amounts not collected and available for advance on June 30 by the county auditor. Tuition, grants, investment earnings, and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as a receivable or revenue. The deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 10 for further information.

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

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

***E. Budgetary Data***

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

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

***F. Cash and Cash Equivalents***

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

During fiscal year 2016, investments were limited to repurchase agreements. Nonparticipating investment contracts, such as repurchase agreements that had a maturity of one year or less at the time of purchase are reported at cost.

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

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

***G. Inventory***

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

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund represent amounts for future purchasing or leasing of buses.

***I. Capital Assets***

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

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

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

***J. Interfund Balances***

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

***K. Compensated Absences***

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

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, 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 due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

***M. Net Position***

Net position represents assets plus deferred outflows minus liabilities minus deferred inflows. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or regulations of other governments. Net position restricted for other purposes include grant funds, food service operations and extracurricular activities.

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

***N. Fund Balance***

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

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education.

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

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

***O. Interfund Activity***

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**P. Estimates**

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

**Q. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Note 3 – Accountability and Compliance**

**A. Deficit Fund Balances**

At June 30, 2016, the following fund reported a deficit in fund balance on the GAAP basis:

Fund	Deficit
Special Revenue Funds	
Food Service	(\$195,163)
Title VI-B	(\$62,512)
Title I	(\$42,765)
Class Size Reduction Grant	(\$5,924)

The General Fund is liable for any deficits in this fund and provides transfers when cash is required not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities. This deficit should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

Cash fund balances at June 30, 2016 included the following individual fund deficits:

Fund	Deficit
Special Revenue Funds	
Food Services	(\$143,761)
Uniform School Supplies	(\$63,891)

The food services fund and the uniform school supplies fund did not comply with State law which does not allow for a negative cash balance at year end.

**B. Change in Accounting Principles and Restatement of Net Position**

**1. Change in Accounting Principles:**

For fiscal year 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application”, Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and Statement No. 79, “Certain External Investment Pools and Pool Participants”.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement supersedes Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments".

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**Note 4 - Budgetary Basis of Accounting**

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	(\$162,795)
Revenue Accruals	113,307
Expenditure Accruals	(110,389)
Funds with Separate Legally Adopted Budgets	238,227
Encumbrances	(1,048,224)
Budget Basis	(\$969,874)

**Note 5 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;



**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate notes rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Deposits** At fiscal year end, the District had \$4,970 in undeposited cash on hand, which is included on the Basic Financial Statements as part of "Equity in Pooled Cash and Cash Equivalents". At June 30, 2016, the carrying amount of all District deposits was \$2,431,537, exclusive of the \$7,065,000 repurchase agreements included in investments below. The bank balance of the District's deposits was \$2,770,581 of which \$250,000 was covered by federal depository insurance. The remaining balance was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments** All interest is legally required to be placed in the General Fund and Building Fund, a capital projects fund. Due to these provisions, the General fund received \$4,360, of which \$1,622 was assigned from other District funds.

As of June 30, 2016, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity Less than One Year
Repurchase Agreements	\$7,065,000	\$7,065,000

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in repurchase agreements (100 percent).

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property (used in business) located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Summit and Portage Counties. The County Fiscal Officers and County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2016, though not intended to finance fiscal year 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only a portion of the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow.

The amount available as an advance at June 30, 2016 was \$2,986,634 in the general fund, \$73,404 in the permanent improvement capital projects fund and \$299,865 in the Bond Retirement Fund. These are recognized as revenue on the fund financial statements.

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

The assessed values upon which the fiscal year 2015 taxes were collected are:

Category	2015 Second Half Collections		2016 First Half Collections	
	Amount	%	Amount	%
Real Property Valuation:				
Agricultural/Residential and Other Real Estate	\$301,616,530	80.34%	\$308,970,620	80.60%
Public Utilities Personal	5,687,040	1.52%	5,860,800	1.53%
Tangible Personal	68,105,520	18.14%	68,496,440	17.87%
<b>Total Valuation</b>	<b><u>\$375,409,090</u></b>	<b><u>100.00%</u></b>	<b><u>\$383,327,860</u></b>	<b><u>100.00%</u></b>

**Note 7 - Receivables**

Receivables at June 30, 2016 consisted of accounts, taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Fund	Amount
Title VI-B	\$66,476
Title I	43,933
Class Size Reduction Grant	<u>6,200</u>
<b>Total</b>	<b><u>\$116,609</u></b>

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$3,354,650	\$0	\$0	\$3,354,650
Construction in Progress	0	0	0	0
Total Capital Assets, Not Being Depreciated	<u>3,354,650</u>	<u>0</u>	<u>0</u>	<u>3,354,650</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	40,228,620	369,265	0	40,597,885
Furniture, Fixtures and Equipment	2,111,544	266,256	0	2,377,800
Vehicles	1,512,352	7,479	0	1,519,831
Total Capital Assets, Being Depreciated	<u>43,852,516</u>	<u>643,000</u>	<u>0</u>	<u>44,495,516</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,157,917)	(546,637)	0	(8,704,554)
Furniture, Fixtures and Equipment	(1,435,093)	(225,370)	0	(1,660,463)
Vehicles	(1,411,754)	(44,290)	0	(1,456,044)
Total Accumulated Depreciation	<u>(11,004,764)</u>	<u>(816,297) *</u>	<u>0</u>	<u>(11,821,061)</u>
Total Capital Assets, Being Depreciated, net	<u>32,847,752</u>	<u>(173,297)</u>	<u>0</u>	<u>32,674,455</u>
Governmental Activities Capital Assets, net	<u>\$36,202,402</u>	<u>(\$173,297)</u>	<u>\$0</u>	<u>\$36,029,105</u>

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

Instruction:	
Regular	\$451,371
Special	11,264
Vocational	31,657
Support Services:	
Pupils	4,668
Instructional Staff	18,862
Administration	61,954
Fiscal	487
Business	108
Operation and Maintenance of Plant	120,637
Pupil Transportation	31,429
Non-Instructional Services	25,167
Extracurricular Activities	58,693
Total Depreciation Expense	<u>\$816,297</u>

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 9 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The following is a summary of the District's insurance coverage with Todd & Associates, Inc. as of June 30, 2016:

Coverage	Amount
Buildings and Contents - Replacement Costs	\$86,152,936
Inland Marine	\$65,000
Boiler and Machinery	\$50,000,000
Crime Insurance	\$300,000
Automobile Liability	\$1,000,000
Flood and Earthquake	\$1,000,000
Uninsured Motorists	\$75,000
General Liability	
Per Occurrence	\$1,000,000
Total Per Year	\$10,000,000

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

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

***Self-Insurance***

As of January 1, 2015, the District uses an internal service fund to record and report its self-funded health care insurance program. Premium rates are set based on an annual review process with the School District insurance consultant.

The claims liability of \$392,696 reported in the internal service fund at June 30, 2016 is based on the requirements of GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. The District purchases specific and aggregate stop loss coverage to limit liability for health claims. However, the District still purchases a fully funded program from Delta Dental for dental coverage. Changes in the fund's claims liability in 2016 was:

	Balance Beginning of Year	Current year Claims	Claims Payments	Balance at End of Year
2016	\$256,176	\$2,676,308	\$2,539,788	\$392,696

***Workers' Compensation***

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**Note 10 - Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions -- between an employer and its employees -- of salaries and benefits for employee services. Pensions are provided to an employee -- on a deferred-payment basis -- as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plans' unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

***Plan Description - School Employees Retirement System (SERS)***

**Plan Description** -- District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$396,599 for fiscal year 2016. Of this amount \$294,996 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

**Plan Description** - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by the Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contribution and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain on the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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** - Employer and member contribution rates are established by the State Teacher Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,704,491 for fiscal year 2016. Of this amount \$294,996 is reported as an intergovernmental payable.



**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,793,291	\$30,715,193	\$37,508,484
Proportion of the Net Pension Liability	0.1190532%	0.11113764%	
Pension Expense	(\$208,949)	\$1,660,561	\$1,451,612

At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$579,401	\$1,400,225	\$1,979,626
District contributions subsequent to the measurement date	<u>626,683</u>	<u>1,719,684</u>	<u>2,346,367</u>
Total Deferred Outflows of Resources	<u>\$1,206,084</u>	<u>\$3,119,909</u>	<u>\$4,325,993</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$187,626</u>	<u>\$2,209,003</u>	<u>\$2,396,629</u>
Total Deferred Inflows of Resources	<u>\$187,626</u>	<u>\$2,209,003</u>	<u>\$2,396,629</u>

\$2,346,367 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$97,944	(\$202,195)	(\$104,251)
2018	\$97,944	(\$202,195)	(\$104,251)
2019	\$97,944	(\$202,194)	(\$104,251)
2020	<u>\$97,943</u>	<u>(\$202,194)</u>	<u>(\$104,250)</u>
Total	<u>\$391,775</u>	<u>(\$808,778)</u>	<u>(\$417,003)</u>

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent of net investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
US Stocks	22.50%	5.00%
Non-US Stocks	22.50%	5.50%
Fixed Income	19.00%	11.50%
Private Equity	10.00%	10.00%
Real Assets	10.00%	5.00%
Multi-Asset Strategies	15.00%	7.50%
Total	100.00%	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table represents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$9,419,850	\$6,793,291	\$4,581,509

**Changes Between Measurement Date and Report Date** In April, 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.75 net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 -- Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00%	8.00%
International Equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed Income	18.00%	3.75%
Real Estate	10.00%	6.75%
Liquidity Reserves	1.00%	3.00%
Total	<u>100.00%</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$42,665,720	\$30,715,193	\$20,609,240

**Note 11 - Postemployment Benefits Other than Pension Benefits**

***School Employees Retirement System***

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

**Medicare Part B Plan**

The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2015, the actuarially required allocation is .74%. The District's contributions for the years ended June 30, 2016, 2015 and 2014 were \$20,963, \$20,665, and \$21,274, respectively, which equaled the required contributions each year.

**Health Care Plan**

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

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2016, 2015, and 2014 were \$80,829, \$83,250, and \$64,186, respectively.

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

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

***State Teachers Retirement System***

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$115,070, respectively; 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

**Note 12 – Other Employee Benefits**

***A. Compensated Absences***

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

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

***B. Life Insurance***

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 13 - Debt Obligations**

***Long-Term Obligations***

Changes in long-term obligations of the District during fiscal year 2016 were as follows:

	<u>Balance 07/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 06/30/16</u>	<u>Due in One Year</u>
<b>General Long-Term Obligations:</b>					
2005 \$30,190,000, 4.62%					
Maturing on 12/01/2032					
School Facilities Bonds	\$22,649,482	\$0	(\$1,085,000)	\$21,564,482	\$1,130,000
Unamortized Premium on Bonds	<u>445,220</u>	<u>0</u>	<u>(24,734)</u>	<u>420,486</u>	<u>24,734</u>
Total General Obligation Bonds	23,094,702	0	(1,109,734)	21,984,968	1,154,734
<b>Net Pension Liability</b>					
STRS	\$26,794,038	\$5,550,831	(\$1,629,676)	\$30,715,193	\$0
SERS	<u>6,272,786</u>	<u>1,147,529</u>	<u>(627,024)</u>	<u>6,793,291</u>	<u>0</u>
Total Net Pension Liability	33,066,824	6,698,360	(2,256,700)	37,508,484	0
<b>Other Long-Term Obligations:</b>					
Compensated Absences	<u>3,002,290</u>	<u>66,905</u>	<u>(154,300)</u>	<u>2,914,895</u>	<u>133,126</u>
<b>Total Long-Term Obligations</b>	<u>\$59,163,816</u>	<u>\$6,765,265</u>	<u>(\$3,520,734)</u>	<u>\$62,408,347</u>	<u>\$1,287,860</u>

The HS Building Project Bonds were issued April of 2005 due to the passage of the Bond Issue Levy on November 2, 2004. The levy was a 4.69 mill \$30,500,000 issue. The total bond indebtedness resulted in \$30,190,000 due to bonds being sold at a premium and generating enough funding to retire the notes. The effective millage for the bond issue, due to the last reappraisal reduction in property value is now 5.48 mills. A portion of the bonds (\$8,569,489) were refinanced October 24, 2012 and the remainder of the outstanding bonds (\$14,684,991) was refinanced on April 9, 2013.

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

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

Fiscal Year Ending	General Obligation Bonds			
	School Facilities Bonds			
	June 30,	Principal	Interest	Total
2017	\$1,130,000	\$700,000	\$1,830,000	
2018	699,531	1,138,019	1,837,550	
2019	635,462	1,204,938	1,840,400	
2020	1,165,000	657,150	1,822,150	
2021	1,205,000	612,050	1,817,050	
2022-2026	6,780,000	2,312,444	9,092,444	
2027-2031	6,499,489	2,490,292	8,989,781	
2032-2033	3,450,000	104,250	3,554,250	
Total	\$21,564,482	\$9,219,143	\$30,783,625	

**Note 14 - Interfund Transactions**

*Interfund Balance*

Interfund Payable	Interfund Receivable
Other Governmental Funds	General Fund
Other Governmental Funds	\$143,763

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

**Note 15 - Jointly Governed Organizations**

***Northeast Ohio Network for Educational Technology (NEOnet)*** – The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Information Technology Center (ITC) used by the District. NEOnet is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board, Metropolitan Regional Schools Council (MRSC) consisting of superintendents and treasurers from all of the participating districts. An elected Executive Board consisting of nine members of the governing board is the managerial body of the consortium and meets at least five times a year. The District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2016, the District contributed \$193,175 to NEOnet. Financial information can be obtained by contacting NEOnet at 700 Graham Road, Cuyahoga Falls, Ohio 44221.



**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

***Six District Educational Compact*** - The Six District Educational Compact is a jointly governed organization to provide for the vocational and special education needs of the students of six participating School Districts. The six member board consists of the superintendent from each of the participating School Districts. Students may attend any vocational or special education class offered by any of the six districts. If a student elects to attend a class offered by a School District other than the School District in which the student resides, the School District of residence pays an instructional fee to the School District that offered the class. Hudson City School District serves as the fiscal agent for this agreement, collecting and distributing payments. The Board exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer or fiscal agent at 2386 Hudson-Aurora Road, Hudson, Ohio 44236.

**Note 16 - Contingencies**

***A. Grants***

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

***B. Litigation***

There is no litigation that the District is involved as of June 30, 2016.

***C. Foundation Funding***

The District's Foundation funding is based on the annualized full-time equivalent enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District. Therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable or liability of the District.

**Note 17 - Set-Aside Calculations**

The 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. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

**Tallmadge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

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

	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	410,685
Current Year Offsets	0
Qualifying Disbursements	<u>(492,585)</u>
Total	<u>(\$81,900)</u>
Cash Balance Carried Forward to Future Years	<u>\$0</u>

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

**Note 18 – Subsequent Events**

The District passed two bond issues in the November 2016 elections. The bond issues are related to a project in cooperation with the Ohio School Facilities Commission (OSFC), where the District will build a new K-5 elementary building, a new 6-8 middle school and a new athletic facility.

On January 18, 2017, the Board approved resolutions providing for the issuance and sale of bonds in the maximum principal amounts of \$21,148,634, \$7,200,000 and \$9,900,000, respectively, for the purpose of constructing, furnishing, and equipping new elementary and middle school buildings and otherwise constructing, renovating and remodeling, furnishing, equipping and improving school district buildings and facilities and clearing, improving and equipping their sites.

**Tallmadge City School District  
Summit County, Ohio**

**Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Liability  
School Employees Retirement System of Ohio  
Last Three Fiscal Years (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability			
District's Proportionate Share of the Net Pension Liability	0.1190532%	0.123945%	0.123945%
	\$6,793,291	\$6,272,786	\$7,370,364
District's Covered-Employee payroll	\$2,846,583	\$2,799,263	\$2,846,583
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.65%	224.09%	258.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1)Information prior to 2014 is not available.

**This page intentionally left blank.**

**Tallmadge City School District  
Summit County, Ohio**

**Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Liability  
State Teachers Retirement System of Ohio  
Last Three Fiscal Years (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.11113764%	0.11015718%	0.11015718%
District's Proportionate Share of the Net Pension Liability	\$30,715,193	\$26,794,038	\$31,916,200
District's Covered-Employee payroll	\$11,797,393	\$11,506,984	\$11,650,542
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	260.36%	232.85%	273.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1)Information prior to 2014 is not available.

**Tallmadge City School District  
Summit County, Ohio**

**Required Supplementary Information  
Schedule of the District's Contributions  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$396,599	\$390,958	\$387,977	\$393,966
Contributions in Relation to the Contractually Required Contributions	(396,599)	(390,958)	(387,977)	(393,966)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$3,009,097	\$2,846,583	\$2,799,257	\$2,846,575
Contributions as a percentage of Covered-Employee Payroll	13.18%	13.18%	13.86%	13.84%

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$395,994	\$366,516	\$385,856	\$326,524	\$398,001	\$321,256
(395,994)	(366,516)	(385,856)	(326,524)	(398,001)	(321,256)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,944,193	\$2,915,800	\$2,849,749	\$3,318,333	\$4,052,963	\$3,008,015
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**Tallmadge City School District  
Summit County, Ohio**

**Required Supplementary Information  
Schedule of the District's Contributions  
State Teachers Retirement System Of Ohio  
Last Ten Fiscal Years**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually Required Contributions	\$1,704,491	\$1,651,635	\$1,495,908	\$1,514,570
Contributions in Relation to the Contractually Required Contributions	(1,704,491)	(1,651,635)	(1,495,908)	(1,514,570)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$12,174,936	\$11,797,393	\$11,506,985	\$11,650,538
Contributions as a percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%



<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$1,699,709	\$1,657,788	\$1,634,856	\$1,691,173	\$1,708,110	\$1,600,267
(1,699,709)	(1,657,788)	(1,634,856)	(1,691,173)	(1,708,110)	(1,600,267)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,074,685	\$12,752,215	\$12,575,815	\$13,009,023	\$13,139,308	\$12,309,746
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**This page intentionally left blank.**

**TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
National School Lunch Program	004488-3L60-2016	2016	10.555	\$253,483	\$253,483
National School Breakfast Program	004488-3L70-2016	2016	10.553	69,652	69,652
Non-Cash Assistance:					
National School Lunch Program	None	2016	10.555	37,985	37,985
Total Nutrition Cluster				<u>361,120</u>	<u>361,120</u>
Non-Cash Assistance:					
Fresh Fruit and Vegetable Program	None	2016	10.582	9,821	9,821
<b>Total U.S. Department of Agriculture</b>				<u>370,941</u>	<u>370,941</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies Cluster:					
Title I Grants to Local Educational Agencies	004488-3M00-2015	2015	84.010	97,927	35,114
Title I Grants to Local Educational Agencies	004488-3M00-2016	2016	84.010	331,522	322,175
Total Title I Grants to Local Educational Agencies				<u>429,449</u>	<u>357,289</u>
Special Education Cluster:					
Special Education Grants to States	004488-3M20-2015	2015	84.027	227,975	56,970
Special Education Grants to States	004488-3M20-2016	2016	84.027	393,072	389,217
Total Special Education Cluster				<u>621,047</u>	<u>446,187</u>
Improving Teacher Quality State Grants	004488-3Y60-2015	2015	84.367	17,994	10,697
Improving Teacher Quality State Grants	004488-3Y60-2016	2016	84.367	55,901	54,679
Total Improving Teacher Quality State Grants				<u>73,894</u>	<u>65,376</u>
Career and Technical Education Grant	004488-3L90-2016	2016	84.048	2,800	0
<i>Total Passed Through Ohio Department of Education</i>				<u>1,127,190</u>	<u>868,853</u>
<b>Total U.S. Department of Education</b>				<u>1,127,190</u>	<u>868,853</u>
<b>Total Federal Financial Assistance</b>				<u>\$1,498,131</u>	<u>\$1,239,793</u>

*The accompanying notes are an integral part of this schedule.*

**TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes the federal award activity of Tallmadge City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – 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.

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

The District generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2016, the District requested the Ohio Department of Education to authorize the following transfers:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2016 to 2017</u>
Special Education Grants to States (IDEA, Part B)	84.027	\$19,930
Title I Grants to Local Educational Agencies	84.010	23,354
Improving Teacher Quality State Grants	84.367	2,520



# 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

Tallmadge City School District  
Summit County  
486 East Avenue  
Tallmadge, Ohio 44278

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, the major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2017.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

***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

March 27, 2017



# 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 THE UNIFORM GUIDANCE

Tallmadge City School District  
Summit County  
486 East Avenue  
Tallmadge, Ohio 44278

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Tallmadge City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Tallmadge City 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, 2016.

***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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 27, 2017



**TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR §200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #84.027 Special Education Cluster
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

**Budget vs. Actual Statement**

<i>Finding Number</i>	2016-001
-----------------------	----------

**SIGNIFICANT DEFICIENCY**

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

Original budgeted revenues reported on the Budget and Actual Statement should agree to budgeted receipt totals for the respective fund, which are listed on the certificate of estimated resources, and are adopted prior to the beginning of the year, or those intended to support the first full year's appropriation, and certified by the County Fiscal Office. Similarly, final budgeted revenues should agree to budgeted receipt totals for the respective fund, which are listed on the final amended certificate of estimated resources, and are also certified by the County Fiscal Office.

Original budgeted revenues presented on the District's fiscal year 2016 *General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual* did not agree to the Certificate of Estimated Resources certified by the County Fiscal Office, resulting in budgeted revenues being overstated by \$1,433,381. In addition, final budgeted revenues presented on the District's fiscal year 2016 *General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual* did not agree to the Final Amended Certificate of Estimated Resources certified by the County Fiscal Office, resulting in budgeted revenues being overstated by \$280,763.

These errors were not identified and corrected prior to the District preparing their budgetary statements due to deficiencies in the District's internal controls over the preparation of the budgetary statements. Corrections were made to the *General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual* for the errors discussed above.

To help ensure accurate financial reporting, District management should implement a review process, which includes verifying that original and final budgeted revenues presented on the statement agree to the original and final amended Certificates of Estimated Resources certified by the County Fiscal Office.

**Official's Response:** The process to ensure that the documents were in balance was not completed in a timely manner. I will institute a more timely review process so that these corrections can be made prior to the end of the fiscal year, and the budgeted and actual revenues are in balance.

**TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Restatement of Debt Balance – Material errors were noted in the calculation of long-term liabilities	Finding no longer valid	Corrective action taken and finding fully corrected
2015-002	Governmental Accounting Standards Board No. 68 – Material errors were noted regarding the presentation and disclosure of pension activity and liability.	Partially corrected	The calculation for GASB 68 is not entirely clear. Efforts will be made to ensure that it is completely understood and will be calculated properly moving forward.

**This page intentionally left blank.**

TALLMADGE CITY SCHOOL DISTRICT  
SUMMIT COUNTY

CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The process to ensure that the documents were in balance was not completed in a timely manner. I will institute a more timely review process so that these corrections can be made prior to the end of the fiscal year, and the budgeted and actual revenues are in balance.	June 30, 2017	Jeff Hostetler, Treasurer

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**TALLMADGE CITY SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 11, 2017**