TALLMADGE CITY SCHOOL DISTRICT

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Tallmadge, Ohio 43701

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

We have reviewed the *Independent Auditors' Report* of the Tallmadge City School District, Summit County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 28, 2018

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TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY

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WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
TALLMADGE, OHIO 43701

INDEPENDENT AUDITORS' 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, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County, Ohio as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tallmadge City School District, Summit County, Ohio as of June 30, 2018, and the respective changes in financial position and , where applicable, cash flows thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during the year ended June 30, 2018, the District implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*", GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

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 the 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.

Supplemental Information

Our audit was conducted to opine on Tallmadge City School District's basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2018, on our consideration of the Tallmadge City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tallmadge City School District's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Tallmadge, Ohio
November 20, 2018

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The management's discussion and analysis of Tallmadge School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased $16,510,100, which represents a $16,510,100 increase from 2017's restated net position. The significant increase in net position is related to the reduction in the District's net pension liability from 2017 to 2018.

- General revenues accounted for $29,007,000 in revenue or 83.40 percent of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $5,774,828 or 16.60 percent of total governmental activities revenues of $34,781,828.

- The District had $18,271,728 in expenses related to governmental activities, $5,774,828 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $29,007,000 were adequate to provide for these programs.

- The District's major governmental funds are the general fund, bond retirement fund, building fund and classroom facilities fund. The general fund had $27,445,035 in revenues and $28,184,462 in expenditures. The fund balance of the general fund decreased $739,427 from a balance of $2,935,740 to $2,196,313.

- The bond retirement fund had $3,674,401 in revenues and $4,325,033 in expenditures. The fund balance of the bond retirement fund decreased $650,632 from $1,941,517 to $1,290,885.

- The building fund had $105,395 in revenues and $570,382 in expenditures. The fund balance of the building fund decreased $464,987 from $8,626,665 to $8,161,678.

- The classroom facilities fund had $468,211 in revenues and $4,994,620 in expenditures. The fund balance of the classroom facilities fund decreased $4,526,409 from $30,633,366 to $26,106,957, as the District began the construction project.

- The District entered into an agreement with the Ohio School Facilities Commission (OSFC) during fiscal year 2017 to participate in the Classroom Facilities Assistance Program (CFAP). The classroom facilities fund accounts for the construction project.

Using the 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 whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole 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 tell 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 column. The District has four major governmental funds: the general fund, bond retirement fund, building fund and classroom facilities fund. The general fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net position and the Statement of Activities

While this document contains the large number of funds used by the District to provide 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 2018?" The statement of net position and statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

On the statement of net position and in the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17 and 18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. 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.

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 fiscal 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 readily be 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 19 - 23 of this report.

Proprietary Fund

The District maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund activity accounts for self-insurance of the District's medical/surgical and prescription drug benefits. The basic proprietary fund financial statements can be found on pages 24 - 26 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28 - 76 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the net pension liability and net OPEB liability in this report on pages 77 - 90.

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The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

Net Position

	Governmental Activities 2018	Governmental Activities Restated 2017
Assets		
Current assets	$ 76,956,810	$ 81,220,221
Capital assets, net	40,870,296	36,058,681
Total assets	117,827,106	117,278,902
Deferred outflows of resources		
Unamortized deferred charges on debt refunding	1,694,250	1,811,770
Pension	10,336,249	8,860,444
OPEB	345,040	61,506
Total deferred outflows	12,375,539	10,733,720
Liabilities		
Current liabilities	5,041,089	4,785,572
Long-term liabilities:		
Due within one year	1,652,942	2,434,849
Due in more than one year:		
Net pension liability	33,733,656	46,492,753
Net OPEB liability	7,514,896	9,433,043
Other amounts	61,097,338	62,801,619
Total liabilities	109,039,921	125,947,836
Deferred inflows of resources		
Property taxes levied for the next fiscal year	16,351,304	16,014,002
Pension	1,322,759	-
OPEB	927,777	-
Total deferred inflows	18,601,840	16,014,002
Net Position		
Net investment in capital assets	14,160,727	13,106,965
Restricted	18,694,898	17,777,333
Unrestricted (deficit)	(30,294,741)	(44,833,514)
Total net position (deficit)	$ 2,560,884	$ (13,949,216)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

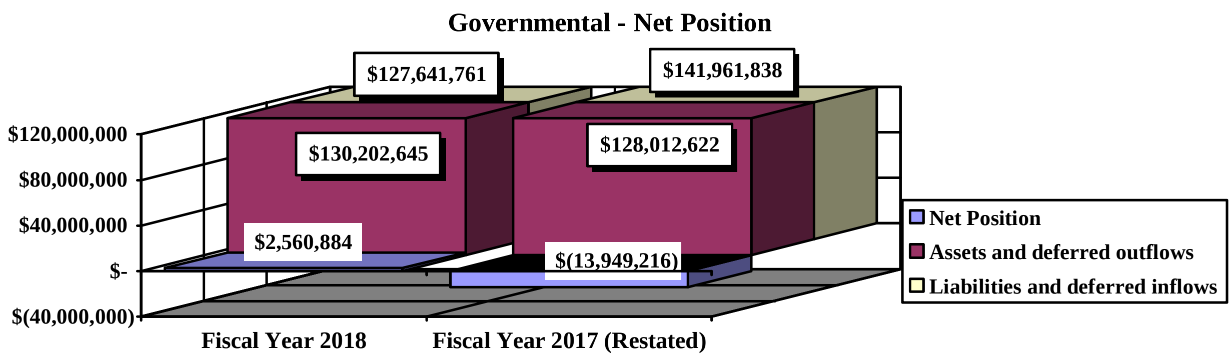
The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $(4,577,679) to $(13,949,216).

The graph below presents the District's governmental assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position for fiscal years 2018 and 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



The table below shows the changes in net position for governmental activities between 2018 and 2017.

Change in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services and sales	$ 1,479,685	$ 1,296,328
Operating grants and contributions	3,721,537	3,454,031
Capital grants and contributions	573,606	147,512
General revenues:		
Property taxes	18,643,612	15,456,404
Grants and entitlements - not restricted	10,121,976	10,168,646
Grants and entitlements - restricted for OSFC	-	14,271,619
Investment earnings	126,432	43,976
Miscellaneous	114,980	82,145
Total revenues	34,781,828	44,920,661

In the area of program revenues, operating grants and contributions increased $267,506, which is primarily attributable to an increase state and federal funding received during fiscal year 2018 that is restricted to specific programs. Capital grants and contributions increased from revenues restricted for capital projects programs received during fiscal year 2018.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 82.70% of total governmental revenue. Real estate property is reappraised every six years. Property taxes increased 20.31% during fiscal year 2018. Unrestricted grants and entitlements decreased slightly as a result of amounts received from state foundation revenue. During fiscal year 2017, the District recognized grants and entitlements restricted for the OSFC for the state portion of the CFAP construction project.

	Governmental Activities	
	2018	2017
Expenses		
Program expenses:		
Instruction:		
Regular	$ 5,259,452	$ 15,008,872
Special	1,579,234	3,832,220
Vocational	502,701	1,009,445
Adult/continuing	96,081	80,621
Support services:		
Pupil	662,038	1,597,432
Instructional staff	272,083	546,853
Board of education	36,361	32,669
Administration	954,621	2,198,951
Fiscal	654,774	841,343
Business	65,379	160,804
Operations and maintenance	1,447,591	2,095,136
Pupil transportation	2,345,511	2,283,120
Central	843,004	508,015
Operation of non-instructional services	820,654	1,018,781
Extracurricular activities	685,603	1,178,328
Interest and fiscal charges	2,046,641	2,397,184
Total expenses	18,271,728	34,789,774
Changes in net position	16,510,100	10,130,887
Net position (deficit) at beginning of year (restated)	(13,949,216)	N/A
Net position (deficit) at end of year	$ 2,560,884	$ (13,949,216)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $61,506 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,193,376. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$ 18,271,728
Negative OPEB expense under GASB 75	1,193,376
2018 contractually required contributions	80,528
Adjusted 2018 program expenses	19,545,632
Total 2017 program expenses under GASB 45	34,789,774
Decrease in program expenses not related to OPEB	$ (15,244,142)

Governmental Activities

Net position of the District’s governmental activities increased $16,510,100. This increase is primarily attributable to an increase in revenue from property taxes in 2018.

Expenses of the governmental activities decreased $16,518,046 or 47.48%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported ($10,578,748) in pension expense and ($1,193,376) in OPEB expense mainly due to these benefit changes.

Total governmental expenses of $18,271,728 were offset by program revenues of $5,774,828 and general revenues of $29,007,000. Program revenues supported 31.61% of the total governmental expenses. Expenses increased overall due to an increase in the net pension liability.

The largest expense of the District is for instructional programs. Instruction expenses totaled $7,437,468 or 40.70% of total governmental expenses for fiscal year 2018.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

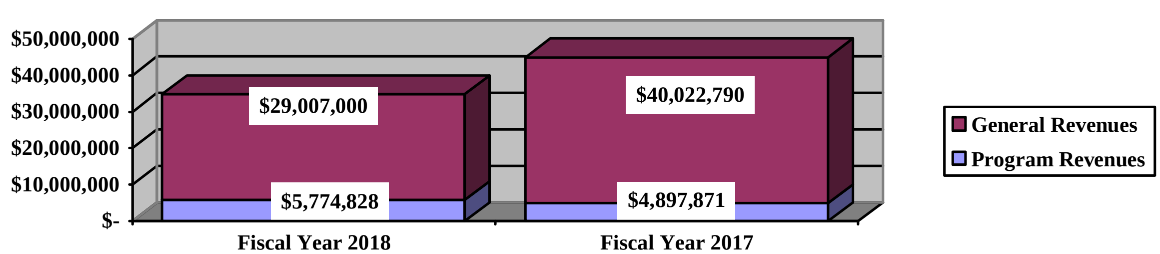
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses:				
Instruction:				
Regular	$ 5,259,452	$ 4,290,886	$ 15,008,872	$ 14,518,008
Special	1,579,234	(609,720)	3,832,220	1,977,024
Vocational	502,701	290,566	1,009,445	796,893
Adult/continuing	96,081	45,119	80,621	27,859
Support services:				
Pupil	662,038	590,084	1,597,432	1,545,125
Instructional staff	272,083	256,832	546,853	440,633
Board of Education	36,361	34,800	32,669	32,669
Administration	954,621	869,369	2,198,951	2,083,850
Fiscal	654,774	650,958	841,343	834,429
Business	65,379	65,379	160,804	160,804
Operations and maintenance	1,447,591	1,359,557	2,095,136	2,018,353
Pupil transportation	2,345,511	1,703,762	2,283,120	1,629,790
Central	843,004	843,004	508,015	508,015
Operation of non-instructional services	820,654	(182,592)	1,018,781	61,128
Extracurricular activities	685,603	242,255	1,178,328	860,139
Interest and fiscal charges	2,046,641	2,046,641	2,397,184	2,397,184
Total expenses	$ 18,271,728	$ 12,496,900	$ 34,789,774	$ 29,891,903

The dependence upon tax revenues during fiscal year 2018 for governmental activities is apparent, as 54.01% of fiscal year 2018 instructional activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

Governmental Activities - General and Program Revenues



General revenues were significant higher in fiscal year 2017 due to the grants and entitlements - restricted for OSFC that were reported.

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of $37,934,059, which is below last year's total of $44,257,999. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30,2018	Fund Balance June 30,2017	Change
General	$ 2,196,313	$ 2,935,740	$ (739,427)
Bond Retirement	1,290,885	1,941,517	(650,632)
Building	8,161,678	8,626,665	(464,987)
Classroom Facilities	26,106,957	30,633,366	(4,526,409)
Other Governmental	178,226	120,711	57,515
Total	$ 37,934,059	$ 44,257,999	$ (6,323,940)

General Fund

The District's general fund balance decreased $739,427 during fiscal year 2018. The following table assists in illustrating the revenues of the general fund.

	2018 Amount	2017 Amount	Percentage Change
Revenues			
Taxes	$ 14,760,205	$ 12,661,943	16.57 %
Intergovernmental	11,714,371	11,787,818	(0.62) %
Other revenues	970,459	739,532	31.23 %
Total	$ 27,445,035	$ 25,189,293	8.96 %

Revenues of the general fund increased $2,255,742 or 8.96%. The most significant increase was in the area of tax revenue. For the general fund, the tax advance available for the fiscal years ended June 30, 2018, 2017, and 2016 were $1,490,197, $1,510,199, and $2,986,634, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Summit and Portage counties. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting. The decrease in other revenues was due to a decrease in refunds and reimbursements reported in miscellaneous revenues.

The table that follows assists in illustrating the expenditures of the general fund.

	2018 Amount	2017 Amount	Percentage Change
Expenditures			
Instruction	$ 17,162,648	$ 17,853,931	(3.87) %
Support services	9,990,165	9,652,321	3.50 %
Operation of non-instructional	123,504	60,230	105.05 %
Extracurricular activities	908,145	818,548	10.95 %
Total	$ 28,184,462	$ 28,385,030	(0.71) %

The increase in instruction and support services expenditures was primarily related to costs associated with annual increases in salaries, wages and benefits. The District's general fund spent less on shared support services during fiscal year 2018, which caused operation of non-instructional expenditures to decrease. The District's general fund spent less on capital assets during fiscal year 2018, which caused capital outlay to decrease.

Bond Retirement Fund

The bond retirement fund had $3,674,401 in revenues and $4,325,033 in expenditures. The fund balance of the bond retirement fund decreased $650,632 from $1,941,517 to $1,290,885. The bond retirement fund accounted for the proceeds of school facilities and improvements bonds that were used to retire the Series 2017 and 2018 bond anticipation notes that were issued during fiscal year 2018.

Building Fund

The building fund had $105,395 in revenues and $570,382 in expenditures. The fund balance of the building fund decreased $464,987 from $8,626,665 to $8,161,678, as costs related to the OSFC project were expended. The building fund received bond and note proceeds during fiscal year 2017 to finance athletic facility improvements.

Classroom Facilities Fund

The classroom facilities fund was established during fiscal year 2017 to account for the District's CFAP construction project with the OSFC. The classroom facilities fund received bond anticipation note proceeds to finance local share of the OSFC CFAP project. The state share of the project, $14,271,619, has been reported as a receivable at June 30, 2018. The District will draw down on the state funds over the duration of the project.

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.

During the course of fiscal year 2018, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, original budgeted revenues and other financing sources were $26,025,277. Actual revenues and other financing sources of $27,445,207 were $722,141 higher than final budgeted revenues of $26,723,066.

General fund original appropriations (appropriated expenditures plus other financing uses) were $29,946,323 and final appropriations were $28,835,623. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled $30,269,749, which was $1,434,126 more than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District had $40,870,296 invested in land, construction in progress, buildings and improvements, furniture and equipment, vehicles and construction in progress. The following table shows fiscal year 2018 balances compared to 2017:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$ 3,354,650	$ 3,354,650
Buildings and improvements	30,847,706	31,396,676
Furniture and equipment	508,868	654,115
Vehicles	58,095	58,466
Construction in progress	6,100,977	594,774
Total	$ 40,870,296	$ 36,058,681

The District had additions of $5,533,721 and depreciation expense of $722,106 in fiscal year 2018.

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

Debt Administration

At June 30, 2018 and June 30, 2017, the District had $57,026,652 and $59,204,982 in general obligation bonds outstanding, respectively. Of the total outstanding debt at June 30, 2018, $1,467,483 is due within one year and $55,559,169 is due in greater than one year.

See Note 10 to the basic financial statements for detail on the District's debt administration.

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 reaffirmed its support from the community. The District also renewed its 1.25 mill permanent improvement levy in November 2015 for a continuing period. However, fiscal year 2017 expenditures began to outpace revenue, and that trend continued in fiscal year 2018. Once that happens, a district needs to either find additional revenue or institute a series of cuts. Tallmadge City Schools wants to maintain its excellent education and service to its students. And, having experienced a series of cuts in its state funding the District is not counting on additional state revenue. The District placed a 7.4 mill operating levy on the November 6, 2018 ballot, which was not approved by voters.

In an effort to complete the District's master plan with the 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 (combining 2 existing elementary schools) 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 2017 ballot. The first issue for the new buildings was a 3.86 mill bond issue, and the second was a .9 mill bond issue. Both issues passed. The District is now in the first phase of construction of the new elementary and middle school buildings. We anticipate the opening of the new middle school in August of 2019, and the new elementary school in December of 2019. Also, the summer and fall of 2019 will mark the completion and opening of the new high school stadium and athletic complex.

We anticipate the new buildings will make the district more effective in delivering a top notch education and will be able to do so more efficiently as well. It is an exciting time in Tallmadge City Schools. The long awaited completion of our building master plan with the OSFC, and the construction of our new athletic facilities will make the District an even more attractive community for anyone looking for a place to call home.

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 about this report 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.

BASIC
FINANCIAL STATEMENTS

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . .	$ 43,640,751
Property taxes	18,449,399
Accounts.	68,331
Intergovernmental	14,738,685
Prepayments	51,499
Materials and supplies inventory.	2,156
Inventory held for resale	5,989
Capital assets:	
Nondepreciable capital assets	9,455,627
Depreciable capital assets, net.	31,414,669
Capital assets, net	40,870,296
Total assets.	117,827,106
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,694,250
Pension	10,336,249
OPEB	345,040
Total deferred outflows of resources	12,375,539
Liabilities:	
Accounts payable.	324,476
Contracts payable.	818,444
Accrued wages and benefits payable	2,708,786
Matured compensated absences payable	49,887
Intergovernmental payable	473,530
Accrued interest payable	369,768
Claims payable.	296,198
Long-term liabilities:	
Due within one year.	1,652,942
Due in more than one year:	
Net pension liability.	33,733,656
Net OPEB liability.	7,514,896
Other amounts due in more than one year. .	61,097,338
Total liabilities	109,039,921
Deferred inflows of resources:	
Property taxes levied for the next fiscal year. . .	16,351,304
Pension	1,322,759
OPEB	927,777
Total deferred inflows of resources	18,601,840
Net position:	
Net investment in capital assets	14,160,727
Restricted for:	
Debt service	356,473
Capital projects	17,895,826
Extracurricular	102,647
Non-public schools.	49,191
Federally funded programs.	247,165
Other purposes.	43,596
Unrestricted (deficit)	(30,294,741)
Total net position	$ 2,560,884

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, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	$ 5,259,452	$ 385,979	$ 114,376	$ 468,211	$ (4,290,886)
Special	1,579,234	-	2,188,954	-	609,720
Vocational	502,701	-	212,135	-	(290,566)
Adult/continuing	96,081	-	50,962	-	(45,119)
Support services:					
Pupil	662,038	-	71,954	-	(590,084)
Instructional staff	272,083	-	15,251	-	(256,832)
Board of education	36,361	1,477	84	-	(34,800)
Administration	954,621	80,643	4,609	-	(869,369)
Fiscal	654,774	-	3,816	-	(650,958)
Business	65,379	-	-	-	(65,379)
Operations and maintenance	1,447,591	77,205	10,829	-	(1,359,557)
Pupil transportation	2,345,511	126,692	515,057	-	(1,703,762)
Central	843,004	-	-	-	(843,004)
Other non-instructional services	213,180	-	159,942	-	(53,238)
Food service operations	607,474	471,177	372,127	-	235,830
Extracurricular activities	685,603	336,512	1,441	105,395	(242,255)
Interest and fiscal charges	2,046,641	-	-	-	(2,046,641)
Total governmental activities	$ 18,271,728	$ 1,479,685	$ 3,721,537	$ 573,606	(12,496,900)

General revenues:	
Property taxes levied for:	
General purposes	14,912,117
Debt service	3,397,065
Capital outlay	334,430
Grants and entitlements not restricted to specific programs	10,121,976
Investment earnings	126,432
Miscellaneous	114,980
Total general revenues	29,007,000
Change in net position	16,510,100
Net position (deficit) at beginning of year (restated)	(13,949,216)
Net position at end of year	$ 2,560,884

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	$ 3,723,036	$ 1,014,764	$ 8,461,948	$ 26,625,131	$ 442,487	$ 40,267,366
Receivables:						
Property taxes	14,752,262	3,363,399	-	-	333,738	18,449,399
Accounts	67,831	-	-	-	500	68,331
Intergovernmental	129,636	-	-	14,271,619	337,430	14,738,685
Prepayments	51,499	-	-	-	-	51,499
Materials and supplies inventory	-	-	-	-	2,156	2,156
Inventory held for resale	-	-	-	-	5,989	5,989
Due from other funds	163,466	-	-	-	-	163,466
Total assets	$ 18,887,730	$ 4,378,163	$ 8,461,948	$ 40,896,750	$ 1,122,300	$ 73,746,891
Liabilities:						
Accounts payable	313,865	-	-	-	10,611	324,476
Contracts payable	-	-	300,270	518,174	-	818,444
Accrued wages and benefits payable	2,575,909	-	-	-	132,877	2,708,786
Matured compensated absences payable	49,887	-	-	-	-	49,887
Intergovernmental payable	441,680	-	-	-	31,850	473,530
Due to other funds	-	-	-	-	163,466	163,466
Total liabilities	3,381,341	-	300,270	518,174	338,804	4,538,589
Deferred inflows of resources:						
Property taxes levied for the next fiscal year	13,017,730	3,042,815	-	-	290,759	16,351,304
Delinquent property tax revenue not available	244,335	44,463	-	-	6,081	294,879
Intergovernmental revenue not available	48,011	-	-	14,271,619	308,430	14,628,060
Total deferred inflows of resources	13,310,076	3,087,278	-	14,271,619	605,270	31,274,243
Fund balances:						
Nonspendable:						
Materials and supplies inventory	-	-	-	-	2,156	2,156
Prepaids	51,499	-	-	-	-	51,499
Unclaimed monies	197	-	-	-	-	197
Restricted:						
Debt service	-	1,290,885	-	-	-	1,290,885
Capital improvements	-	-	8,161,678	26,106,957	285,070	34,553,705
Extracurricular	-	-	-	-	102,647	102,647
Non-public schools	-	-	-	-	48,198	48,198
Other purposes	-	-	-	-	44,256	44,256
Committed:						
Underground storage tank	16,179	-	-	-	-	16,179
Assigned:						
Student instruction	330,013	-	-	-	-	330,013
Student and staff support	1,225,942	-	-	-	-	1,225,942
Extracurricular activities	13,074	-	-	-	-	13,074
Subsequent year's appropriations	535,826	-	-	-	-	535,826
School supplies	13,710	-	-	-	-	13,710
Other purposes	9,873	-	-	-	-	9,873
Unassigned	-	-	-	-	(304,101)	(304,101)
Total fund balances	2,196,313	1,290,885	8,161,678	26,106,957	178,226	37,934,059
Total liabilities, deferred inflows and fund balances	$ 18,887,730	$ 4,378,163	$ 8,461,948	$ 40,896,750	$ 1,122,300	$ 73,746,891

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, 2018

Total governmental fund balances		$ 37,934,059
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		40,870,296
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Property taxes receivable	$ 294,879	
Intergovernmental receivable	14,628,060	
Total		14,922,939
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 on the statement of net position.		3,077,187
Unamortized deferred charges on refundings are not recognized in the funds.		1,694,250
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(369,768)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - pension	10,336,249	
Deferred inflows of resources - pension	(1,322,759)	
Net pension liability	(33,733,656)	
Total		(24,720,166)
The net OPEB liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - OPEB	345,040	
Deferred inflows of resources - OPEB	(927,777)	
Net OPEB liability	(7,514,896)	
Total		(8,097,633)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(55,850,000)	
Capital appreciation bonds	(567,545)	
Accretion of interest - capital appreciation bonds	(609,107)	
Unamortized bond premium	(2,921,853)	
Compensated absences	(2,801,775)	
Total		(62,750,280)
Net position of governmental activities		$ 2,560,884

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, 2018

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Property taxes	$ 14,760,205	$ 3,367,680	$ -	$ -	$ 330,257	$ 18,458,142
Tuition	380,094	-	-	-	-	380,094
Earnings on investments	99,141	-	107,447	454,545	-	661,133
Charges for services	-	-	-	-	473,492	473,492
Extracurricular	283,535	-	-	-	261,789	545,324
Classroom materials and fees	5,885	-	-	-	-	5,885
Rental income	74,890	-	-	-	-	74,890
Contributions and donations	11,934	-	-	-	68,781	80,715
Other local revenues	114,980	-	-	-	-	114,980
Intergovernmental - state	11,714,371	306,721	-	-	199,041	12,220,133
Intergovernmental - federal	-	-	-	-	1,309,478	1,309,478
Change in fair value of investments	-	-	(2,052)	13,666	-	11,614
Total revenues	27,445,035	3,674,401	105,395	468,211	2,642,838	34,335,880
Expenditures:						
Current:						
Instruction:						
Regular	13,110,557	-	-	-	118,598	13,229,155
Special	3,062,715	-	-	-	758,445	3,821,160
Vocational	963,545	-	-	-	-	963,545
Adult/continuing	25,831	-	-	-	70,250	96,081
Support services:						
Pupil	1,628,382	-	-	-	50,273	1,678,655
Instructional staff	466,000	-	-	-	25,508	491,508
Board of education	36,688	-	-	-	-	36,688
Administration	1,923,899	-	-	-	630	1,924,529
Fiscal	779,723	54,191	354	20,494	9,887	864,649
Business	156,467	-	-	-	-	156,467
Operations and maintenance	2,084,437	-	-	-	13,290	2,097,727
Pupil transportation	2,334,780	-	-	-	8,384	2,343,164
Central	579,789	-	269,758	4,000	-	853,547
Other non-instructional services	123,504	-	-	-	187,011	310,515
Food service operations	-	-	-	-	873,011	873,011
Extracurricular activities	908,145	-	-	-	288,048	1,196,193
Facilities acquisition and construction	-	-	300,270	4,970,126	181,988	5,452,384
Debt service:						
Principal retirement	-	1,876,935	-	-	-	1,876,935
Interest and fiscal charges	-	1,940,842	-	-	-	1,940,842
Accretion on capital appreciation bonds	-	453,065	-	-	-	453,065
Total expenditures	28,184,462	4,325,033	570,382	4,994,620	2,585,323	40,659,820
Net change in fund balances	(739,427)	(650,632)	(464,987)	(4,526,409)	57,515	(6,323,940)
Fund balances at beginning of year	2,935,740	1,941,517	8,626,665	30,633,366	120,711	44,257,999
Fund balances at end of year	$ 2,196,313	$ 1,290,885	$ 8,161,678	$ 26,106,957	$ 178,226	$ 37,934,059

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, 2018

Net change in fund balances - total governmental funds		$ (6,323,940)
Amounts reported for governmental activities in the statement of activities because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 5,533,721	
Current year depreciation	(722,106)	
Total		4,811,615
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	185,470	
Intergovernmental	223,764	
Total		409,234
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
General obligation bonds	1,876,935	
Accreted interest on capital appreciation bonds	453,065	
Total		2,330,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Increase in accrued interest payable	(63,782)	
Accretion of interest on capital appreciation bonds	(151,670)	
Amortization of bond premiums	227,173	
Amortization of deferred charges on refunding	(117,520)	
Total		(105,799)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		2,333,395
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		10,578,748
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		80,528
Except for amounts reported as deferred inflows/outflows of resources, changes in the net OPEB liability are reported as pension expense in the statement of activities.		1,193,376
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		80,685
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		1,122,258
Change in net position of governmental activities		$ 16,510,100

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 AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
From local sources:				
Property taxes	$ 13,915,488	$ 14,391,309	$ 14,780,207	$ 388,898
Tuition	183,189	316,904	325,468	8,564
Earnings on investments	40,004	96,532	99,141	2,609
Extracurricular	41,417	36,469	37,455	986
Rental income	59,465	68,051	69,890	1,839
Other local revenues	80,921	103,966	106,775	2,809
Intergovernmental - state	11,469,232	11,414,227	11,722,675	308,448
Total revenues	25,789,716	26,427,458	27,141,611	714,153
Expenditures:				
Current:				
Instruction:				
Regular	13,617,182	13,331,745	13,994,793	(663,048)
Special	2,973,291	2,999,449	3,148,625	(149,176)
Vocational	956,227	918,664	964,353	(45,689)
Adult/continuing	12,634	24,607	25,831	(1,224)
Support services:				
Pupil	1,576,539	1,595,558	1,674,912	(79,354)
Instructional staff	409,960	455,858	478,530	(22,672)
Board of education	36,237	35,064	36,808	(1,744)
Administration	2,102,335	1,904,085	1,998,784	(94,699)
Fiscal	859,574	765,223	803,281	(38,058)
Business	162,520	151,974	159,532	(7,558)
Operations and maintenance	2,884,400	2,719,879	2,855,151	(135,272)
Pupil transportation	2,679,081	2,397,864	2,517,121	(119,257)
Central	639,713	600,879	630,763	(29,884)
Other operation of non-instructional services	75,905	110,306	115,792	(5,486)
Extracurricular activities	845,701	824,468	865,473	(41,005)
Total expenditures	29,831,299	28,835,623	30,269,749	(1,434,126)
Excess of expenditures over revenues	(4,041,583)	(2,408,165)	(3,128,138)	(719,973)
Other financing sources (uses):				
Refund of prior year's expenditures	235,561	293,021	300,939	7,918
Transfers (out)	(115,024)	-	-	-
Sale of capital assets	-	2,587	2,657	70
Total other financing sources (uses)	120,537	295,608	303,596	7,988
Net change in fund balance	(3,921,046)	(2,112,557)	(2,824,542)	(711,985)
Fund balance at beginning of year	3,752,061	3,752,061	3,752,061	-
Prior year encumbrances appropriated	1,035,624	1,035,624	1,035,624	-
Fund balance at end of year	$ 866,639	$ 2,675,128	$ 1,963,143	$ (711,985)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	$ 3,373,385
Total assets	3,373,385
Liabilities:	
Claims payable	296,198
Total liabilities	296,198
Net position:	
Unrestricted	3,077,187
Total net position	$ 3,077,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	$ 4,190,329
Total operating revenues	4,190,329
Operating expenses:	
Purchased services.	702,311
Claims	2,393,051
Total operating expenses.	3,095,362
Operating income	1,094,967
Nonoperating revenues:	
Interest revenue	27,291
Total nonoperating revenues.	27,291
Change in net position	1,122,258
Net position at beginning of year	1,954,929
Net position at end of year	$ 3,077,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services.	$ 4,190,329
Cash payments for contractual services	(702,311)
Cash payments for claims	(2,291,596)
Net cash provided by operating activities	1,196,422
Cash flows from investing activities:	
Interest received	27,291
Net cash provided by investing activities	27,291
Net increase in cash and cash cash equivalents	1,223,713
Cash and cash equivalents at beginning of year . . .	2,149,672
Cash and cash equivalents at end of year	$ 3,373,385
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 1,094,967
Changes in assets and liabilities:	
Increase in claims payable	101,455
Net cash provided by operating activities.	$ 1,196,422

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash	
and cash equivalents	$ 34,101
Total assets.	$ 34,101
Liabilities:	
Due to students.	34,101
Total liabilities	$ 34,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL 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 94 classified employees and 182 certified full-time personnel who provide services to 2,512 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology - 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 2018, the District contributed $128,300 to NEOnet. Financial information can be obtained by contacting NEOnet at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the District's major governmental funds:

General fund **-**The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund **-** The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation or resources and payment of general obligation notes payable.

Building fund **-** The building capital projects fund is used to account for the receipts and expenditures related to special bond funds in the District. All proceeds from the sale of notes and bonds, except premium and accrued interest, are reported in this fund. Expenditures represent the costs of acquiring capital facilities including real property.

Classroom facilities fund **-** The classroom facilities capital projects fund is used to account for and report financial resources that are restricted to expenditures related to the District's construction project with the Ohio School Facilities Commission (OSFC).

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is a description of the District's proprietary fund:

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

FIDUCIARY FUNDS

Fiduciary Funds **-** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

Fund Financial Statements **-** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for services. Operating expenses for the internal service fund include claims and purchased services expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 and student fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 11 and 12 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 11 and 12 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Expenses/Expenditures **-** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

F. Cash and Investments

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

During fiscal year 2018, the District's investments included commercial paper, U.S. Treasury bills, U.S. Government money markets, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, lunch room and trust fund authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2018 amounted to $99,141, which includes $27,912 assigned from other District funds.

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

An analysis of the District's investments at year end is provided in Note 4.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. 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 acquisition 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:

Description	Governmental Activities Estimated Lives
Buildings and improvements	10 - 75 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	7 - 15 years

I. Interfund Balances

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation is 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, net pension liability, net OPEB liability 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 year. Bonds and other long-term obligations are recognized as a liability on the fund financial statements when due.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 loans receivable.

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

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 (the highest level of decision making authority). 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 nor 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, which includes giving the Treasurer the authority to constrain monies for intended purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned **-** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

M. Estimates

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

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for trusts and other grants.

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

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Issuance Costs, Premiums and Accounting Gain on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

S. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 12 to the basic financial statements, and added required supplementary information which is presented on pages 83 through 88 and page 90.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	$ (4,577,679)
Deferred outflows - payments subsequent to measurement date	61,506
Net OPEB liability	(9,433,043)
Restated net position at July 1, 2017	$ (13,949,216)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

Nonmajor funds	Deficit
Food service	$ 215,002
IDEA Part B	21,170
Title I	52,331
Improving teacher quality	13,442

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. Negative fund cash balances in these funds resulted from a lag between disbursements and grant funding that was requested but not received by fiscal year-end.

NOTE 4 - 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 monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may 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 any 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;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described items in (1) and (2) above 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 (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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

A. Cash on Hand

At fiscal year-end, the District had $4,970 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was $2,185,433 and the bank balance of all District deposits was $2,723,960. Of the bank balance, $250,000 was covered by the FDIC and $2,473,960 was covered by the Ohio Pooled Collateral System (OPCS).

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institution was approved for a collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2018, the District had the following investments and maturity:

Investment type	Measurement Value	Investment Maturity 6 months or less
Fair value:		
Commercial paper	$ 17,439,832	$ 17,439,832
U.S. Treasury bills	8,554,163	8,554,163
U.S. Government money markets	38,424	38,424
Amortized cost:		
STAR Ohio	15,452,030	15,452,030
Total	$ 41,484,449	$ 41,484,449

The District's investments in U.S. Government money markets are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in U.S. Treasury bills and commercial paper are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The investment in U.S. Treasury bills carry ratings of P-1 by Moodys and A-1+ by Standard & Poor's. The investment in commercial paper carry ratings of P-1 by Moodys and A-1+ and A-1 by Standard & Poor's. The U.S. Government money markets were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

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 investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

Investment type	Measurement Value	% to total
Fair value:		
Commercial paper	$ 17,439,832	42.04
U.S. Treasury Bills	8,554,163	20.62
U.S. Money Market	38,424	0.09
Amortized cost:		
STAR Ohio	15,452,030	37.25
Total	$ 41,484,449	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

Cash and investments per note	
Carrying amount of deposits	$ 2,185,433
Investments	41,484,449
Cash on hand	4,970
Total	$ 43,674,852
Cash and investments per statement of net position	
Governmental activities	$ 43,640,751
Agency fund	34,101
Total	$ 43,674,852

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2018, as reported on the fund financial statements, consist of the following amount due to/from other funds:

Receivable fund	Payable funds	Amount
General fund	Nonmajor special revenue fund:	
	Food service	$ 163,466

The primary purpose of the due to/from other funds is to cover the negative cash balances at fiscal year-end in the food service nonmajor governmental fund. The interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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 property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Summit and Portage Counties. The 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, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was $1,490,197 in the general fund, $276,121 in the bond retirement fund and $36,898 in the permanent improvement nonmajor capital projects fund. This amount is recorded as revenue. The amount available for advance at June 30, 2017 was $1,510,199 in the general fund, $309,461 in the bond retirement fund and $36,909 in the permanent improvement nonmajor capital projects fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 379,136,770	98.35	$ 415,715,430	98.44
Public utility personal	6,347,340	1.65	6,589,090	1.56
Total	$ 385,484,110	100.00	$ 422,304,520	100.00
Tax rate per $1,000 of assessed valuation	$ 77.03		$ 75.35	

NOTE 7 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Community Reinvestment Areas

The City of Tallmadge provides tax abatements through the Tallmadge Community Reinvestment Area (CRA).

Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The tax abatement agreements entered into by the City of Tallmadge under the CRA program affect the property tax receipts collected and distributed to the District. Under these agreements, the District property taxes were reduced by $116,041 for fiscal year 2018.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	$ 18,449,399
Accounts	68,331
Intergovernmental:	
Bureau of workers compensation refund	65,720
State foundation - FTE adjustments	15,905
Title VI-B	197,185
Title I	98,304
Improving teacher quality	8,601
Auxillary services state grants	29,000
Miscellaneous federal grants	4,340
OSFC receivable	14,271,619
SERS	48,011
Total intergovernmental receivables	$ 14,738,685

Receivables have been disaggregated on the face of the financial statements. All receivables, except property taxes and the OSFC intergovernmental receivable, are expected to be collected within one year. Property taxes and payment in lieu of taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The OSFC intergovernmental receivable of $14,271,619 will be collected over the duration of the construction project.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2018, was as follows:

	Balance 06/30/17	Additions	Disposals	Balance 06/30/18
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,354,650	$ -	$ -	$ 3,354,650
Construction in progress	594,774	5,506,203	-	6,100,977
Total capital assets, not being depreciated	3,949,424	5,506,203	-	9,455,627
Capital assets, being depreciated:				
Buildings and improvements	40,651,696	-	-	40,651,696
Furniture, fixtures and equipment	2,478,387	22,018	-	2,500,405
Vehicles	1,415,773	5,500	-	1,421,273
Total capital assets, being depreciated	44,545,856	27,518	-	44,573,374
Less: accumulated depreciation:				
Buildings	(9,255,020)	(548,970)	-	(9,803,990)
Furniture, fixtures and equipment	(1,824,272)	(167,265)	-	(1,991,537)
Vehicles	(1,357,307)	(5,871)	-	(1,363,178)
Total accumulated depreciation	(12,436,599)	(722,106)	-	(13,158,705)
Governmental activities capital assets, net	$ 36,058,681	$ 4,811,615	$ -	$ 40,870,296

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 400,612
Special	11,221
Vocational	31,657
Support services:	
Pupil	4,669
Instructional staff	18,862
Administration	47,185
Fiscal	488
Business	108
Operations and maintenance	120,637
Pupil transportation	2,419
Food service operations	25,167
Extracurricular activities	59,081
Total depreciation expense	$ 722,106

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS

The long-term obligations at June 30, 2017 have been restated as described in Note 3.A. The District's long-term obligations activity during fiscal year 2018 consisted of the following:

	(Restated) Balance 06/30/17	Additions	Reductions	Balance 06/30/18	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
Series 2012, refunding school facilities bonds					
Current interest	$ 8,155,000	$ -	$ (105,000)	$ 8,050,000	$ 110,000
Capital appreciation	39,489	-	-	39,489	-
Accreted interest	149,680	-	-	149,680	-
Series 2013, refunding school facilities bonds					
Current interest	11,120,000	-	-	11,120,000	
Capital appreciation	1,124,991	-	(596,935)	528,056	528,056
Accreted interest	760,822	151,670	(453,065)	459,427	459,427
Series 2017-1, classroom facilities and school improvement bonds					
Current interest	28,345,000	-	(900,000)	27,445,000	335,000
Series 2017-2A, classroom facilities and school improvement bonds					
Current interest	7,400,000	-	(175,000)	7,225,000	35,000
Series 2017-2B, classroom facilities and school improvement bonds					
Current interest	2,110,000	-	(100,000)	2,010,000	-
Total general obligation bonds	59,204,982	151,670	(2,330,000)	57,026,652	1,467,483
Compensated absences	2,882,460	359,564	(440,249)	2,801,775	185,459
Net pension liability	46,492,753	-	(12,759,097)	33,733,656	-
Net OPEB liability	9,433,043	-	(1,918,147)	7,514,896	-
Total long-term obligations, governmental activities	118,013,238	511,234	(17,447,493)	101,076,979	$ 1,652,942
Add: Unamortized premium on bonds	3,149,026	-	(227,173)	2,921,853	
Total on the statement of net position	$ 121,162,264	$ 511,234	$ (17,674,666)	$ 103,998,832	

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

A. General Obligation Bonds

The District has five outstanding general obligation bond issues at June 30, 2018. These bonds were issued for general governmental activities, specifically; construction, and/or renovation of school buildings, and the advance refunding of previous issues. These general obligation bonds are direct obligations of the district for which its full faith, credit, and resources are pledged and payable from taxes levied on all taxable property in the school district. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to these bonds are recorded as expenditures in the District's bond retirement fund.

Series 2012 Refunding School Facilities Bonds
On October 24, 2012, the District issued general obligation bonds in the amount of $8,569,489 to advance refund a portion of the 2005 school facilities bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds at June 30, 2018, is $8,570,000.

At June 30, 2018, the debt issue is comprised of current interest bonds (par value $8,050,000) and capital appreciation bonds (par value $39,489). The interest rate on the current interest bonds is 2.00-4.00 percent. The capital appreciation bonds mature December 1, 2028 (approximate initial offering yield at maturity of 3.00 percent), at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $1,455,000. Total accreted interest of $149,680 has been included in the statement of net position.

Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

Series 2013 Refunding School Facilities Bonds
On April 23, 2013, the District issued general obligation bonds in the amount of $14,684,991 to advance refund the remaining outstanding 2005 school facilities bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds at June 30, 2018, is $12,030,000.

At June 30, 2018, the debt issue is comprised of current interest bonds (par value $11,120,000) and capital appreciation bonds (par value $528,056). The interest rate on the current interest bonds is 2.00-4.00 percent. The capital appreciation bonds December 1, 2018 (approximate initial offering yield at maturity of 1.46 percent and 1.70 percent, respectively), at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $1,050,000. Total accreted interest of $459,427 has been included in the statement of net position.

Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2017-1 Classroom Facilities and School Improvement Bonds

On May 11, 2017, the District issued $28,345,000, in school facilities construction and improvement general obligation bonds, Series 2017-1. The bonds were issued to retire the Series 2017 classroom facilities and school improvement notes, which were issued for the purpose of constructing, improving, furnishing and equipping new elementary and middle school buildings and athletic buildings and facilities, and renovating, clearing, improving, and equipping their sites. At June 30, 2018, the debt issue is comprised of current interest serial bonds (par value $2,660,000) and current interest term bonds (par value $24,785,000). The interest rate on the current interest serial bonds ranges from 2.00-4.00 percent and the interest rate on the current interest term bonds ranges from 3.375-5.00 percent. The Series 2017-1 bonds have been rated in conjunction with the District's participation in the Ohio Credit Enhancement Program.

Interest payments on the bonds are due on April 1 and October 1 of each year. The final maturity stated in the issue for the current interest serial bonds and current interest term bonds is October 1, 2024 and October 1, 2053, respectively.

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NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The current interest term bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on October 1 in the years and in the respective principal amounts as follows:

Fiscal Year	2036 Term Bonds	2041 Term Bonds	2044 Term Bonds	2047 Term Bonds	2053 Term Bonds
2025	$ 10,000	$ -	$ -	$ -	$ -
2026	10,000	-	-	-	-
2027	10,000	-	-	-	-
2028	10,000	-	-	-	-
2029	10,000	-	-	-	-
2030	10,000	-	-	-	-
2031	10,000	-	-	-	-
2032	10,000	-	-	-	-
2033	10,000	-	-	-	-
2034	10,000	-	-	-	-
2035	10,000	-	-	-	-
2036	25,000	-	-	-	-
2037	-	55,000	-	-	-
2038	-	995,000	-	-	-
2039	-	1,085,000	-	-	-
2040	-	1,140,000	-	-	-
2041	-	1,195,000	-	-	-
2042	-	-	1,295,000	-	-
2043	-	-	1,350,000	-	-
2044	-	-	1,400,000	-	-
2045	-	-	-	1,500,000	-
2046	-	-	-	1,555,000	-
2047	-	-	-	1,615,000	-
2048	-	-	-	-	1,720,000
2049	-	-	-	-	1,785,000
2050	-	-	-	-	1,860,000
2051	-	-	-	-	1,955,000
2052	-	-	-	-	2,030,000
2053	-	-	-	-	2,115,000
	$ 135,000	$ 4,470,000	$ 4,045,000	$ 4,670,000	$ 11,465,000

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2017-2A Classroom Facilities and School Improvement Bonds
On May 31, 2017, the District issued $7,400,000, in school facilities construction and improvement general obligation bonds, Series 2017-2A. The bonds were issued to retire a portion of the $9,900,000 Series 2016 classroom facilities and school improvement notes, which were issued for the purpose of constructing, improving, furnishing and equipping new elementary and middle school buildings and renovating, clearing, improving, and equipping their sites. At June 30, 2018, the debt issue is comprised of current interest serial bonds (par value $890,000) and current interest term bonds (par value $6,335,000). The interest rate on the current interest serial bonds ranges from 2.00-4.00 percent and the interest rate on the current interest term bonds ranges from 3.10-4.00 percent. The Series 2017-2A bonds have been rated in conjunction with the District's participation in the Ohio Credit Enhancement Program.

Interest payments on the bonds are due on April 1 and October 1 of each year. The final maturity stated in the issue for the current interest serial bonds and current interest term bonds is October 1, 2030 and October 2037, respectively.

The current interest term bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on October 1 in the years and in the respective principal amounts as follows:

Fiscal Year	Term Bonds	Term Bonds
2028	$ 130,000	$ -
2029	610,000	-
2030	-	-
2031	-	700,000
2032	-	720,000
2033	-	780,000
2034	-	805,000
2035	-	830,000
2036	-	880,000
2037	-	880,000
	$ 740,000	$ 5,595,000

Series 2017-2B Classroom Facilities and School Improvement Bonds
On May 31, 2017, the District issued $2,110,000, in school facilities construction and improvement general obligation bonds, Series 2017-2B. The bonds were issued to retire a portion of the $9,900,000 Series 2016 classroom facilities and school improvement notes, which were issued for the purpose of constructing, improving, furnishing and equipping new elementary and middle school buildings and renovating, clearing, improving, and equipping their sites. At June 30, 2018, the debt issue is comprised of current interest serial bonds (par value $2,010,000). The interest rate on the current interest serial bonds ranges from 2.00-4.00 percent The Series 2017-2B bonds have not been rated in conjunction with the District's participation in the Ohio Credit Enhancement Program.

Interest payments on the bonds are due on April 1 and October 1 of each year. The final maturity stated in the issue for the current interest serial bonds is October 1, 2028.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the general obligation bonds.

	Current Interest Bonds			Capital Appreciation Bonds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	$ 480,000	$ 2,098,127	$ 2,578,127	$ 528,056	$ 521,944	$ 1,050,000
2020	1,545,000	2,064,026	3,609,026	-	-	-
2021	1,595,000	2,007,627	3,602,627	-	-	-
2022	1,665,000	1,947,101	3,612,101	-	-	-
2023	1,725,000	1,883,919	3,608,919	-	-	-
2024-2028	9,815,000	8,375,143	18,190,143	-	-	-
2029-2033	10,145,000	6,683,537	16,828,537	39,489	1,415,511	1,455,000
2034-2038	4,285,000	5,430,309	9,715,309	-	-	-
2039-2043	5,710,000	4,409,603	10,119,603	-	-	-
2044-2048	7,420,000	3,021,252	10,441,252	-	-	-
2049-2053	9,350,000	1,389,600	10,739,600	-	-	-
2054-2055	2,115,000	42,300	2,157,300	-	-	-
Total	$ 55,850,000	$ 39,352,544	$ 95,202,544	$ 567,545	$ 1,937,455	$ 2,505,000

B. Other Long-Term Obligations

Compensated Absences
Compensated absences will be paid from the fund from which the person is paid, which, is primarily the general fund.

Net Pension Liability and Net OPEB Liability
The District pays obligations related to employee compensation from the fund benefitting their service. See Notes 11 and 12 to the notes to the basic financial statements for details.

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Ohio Revised Code Section 133.06(I) provides that a school district may incur indebtedness in excess of the 9 percent limitation when necessary to raise the school district's portion of the basic project cost and any additional funds necessary to participate in a project under Chapter 3318 of the Ohio Revised Code, including the cost of items designated by the OSFC as required locally funded initiatives, the cost of other locally funded initiatives in an amount that does not exceed 50 percent of the school district's portion of the basic project cost, and the cost for site acquisition. As a result, any portion of the otherwise nonexempt debt authorized by the District voters at the election on November 8, 2016, in excess of the 9 percent limitation is exempted from that limitation. At June 30, 2018, the District's voted legal debt margin was $0 and the unvoted legal debt margin was $422,305.

NOTE 11 - 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.

The 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 plan's 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 bases of accounting.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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 under Employers/Audit Resources.

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 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 year 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $513,854 for fiscal year 2018. Of this amount, $21,992 is reported as intergovernmental payable.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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.

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 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 after termination of employment at age 50 or later.

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 in 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 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 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $1,819,541 for fiscal year 2018. Of this amount, $316,123 is reported as intergovernmental payable.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.11754120%	0.11319513%	
Proportion of the net pension liability current measurement date	0.11375570%	0.11339407%	
Change in proportionate share	-0.00378550%	0.00019894%	
Proportionate share of the net pension liability	$ 6,796,652	$ 26,937,004	$ 33,733,656
Pension expense	$ (313,246)	$ (10,265,502)	$ (10,578,748)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 292,501	$ 1,040,177	$ 1,332,678
Changes of assumptions	351,460	5,891,419	6,242,879
Difference between District contributions and proportionate share of contributions/ change in proportionate share	12,892	414,405	427,297
District contributions subsequent to the measurement date	513,854	1,819,541	2,333,395
Total deferred outflows of resources	$ 1,170,707	$ 9,165,542	$ 10,336,249

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 217,102	$ 217,102
Net difference between projected and actual earnings on pension plan investments	32,261	888,954	921,215
Difference between District contributions and proportionate share of contributions/ change in proportionate share	184,442	-	184,442
Total deferred inflows of resources	$ 216,703	$ 1,106,056	$ 1,322,759

$2,333,395 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, 2019. 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:	SERS	STRS	Total
2019	$ 203,971	$ 1,347,750	$ 1,551,721
2020	343,199	2,557,030	2,900,229
2021	51,424	1,856,367	1,907,791
2022	(158,443)	478,800	320,357
Total	$ 440,151	$ 6,239,945	$ 6,680,095

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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:

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the 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 (7.50 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 presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 9,431,986	$ 6,796,652	$ 4,589,022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 38,613,279	$ 26,937,004	$ 17,101,493

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

The 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $61,496.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $80,528 for fiscal year 2018. Of this amount, $62,311 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.11855788%	0.11319513%	
Proportion of the net OPEB liability current measurement date	0.11516320%	0.11339407%	
Change in proportionate share	-0.00339468%	0.00019894%	
Proportionate share of the net OPEB liability	$ 3,090,678	$ 4,424,218	$ 7,514,896
OPEB expense	$ 155,136	$ (1,348,512)	$ (1,193,376)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ -	$ 255,393	$ 255,393
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	9,119	9,119
District contributions subsequent to the measurement date	80,528	-	80,528
Total deferred outflows of resources	$ 80,528	$ 264,512	$ 345,040

	SERS	STRS	Total
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 8,162	$ 189,102	$ 197,264
Changes of assumptions	293,290	356,385	649,675
Difference between District contributions and proportionate share of contributions/ change in proportionate share	80,838	-	80,838
Total deferred inflows of resources	$ 382,290	$ 545,487	$ 927,777

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

$80,528 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (137,593)	$ (62,587)	$ (200,180)
2020	(137,593)	(62,587)	(200,180)
2021	(105,062)	(62,587)	(167,649)
2022	(2,040)	(62,587)	(64,627)
2023	(2)	(15,314)	(15,316)
Thereafter	-	(15,313)	(15,313)
Total	$ (382,290)	$ (280,975)	$ (663,265)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$ 3,732,387	$ 3,090,678	$ 2,582,280

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	$ 2,507,853	$ 3,090,678	$ 3,862,056

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

***Discount Rate* -** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* -** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$ 5,939,442	$ 4,424,218	$ 3,226,696

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 3,073,757	$ 4,424,218	$ 6,201,583

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

NOTE 14 - RISK MANAGEMENT

A. Property and Liability

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, 2018:

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.

NOTE 14 - RISK MANAGEMENT - (Continued)

B. Medical/Surgical, Prescription Drug and Dental 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 District's insurance consultant.

The claims liability of $296,198 reported in the internal service fund at June 30, 2018 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 2018 was:

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2018	$ 194,743	$ 2,393,051	$ 2,291,596	$ 296,198
2017	392,696	2,237,357	2,435,310	194,743

C. Workers' Compensation

The District participates in the Ohio Schools Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for its rating tier rather than its individual rate. Sheakley provides administrative, cost control, and actuarial services to the Plan.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	General fund
Budget basis	$ (2,824,542)
Net adjustment for revenue accruals	39,525
Net adjustment for expenditure accruals	481,880
Net adjustment for other sources/uses	(303,596)
Funds budgeted elsewhere *	32,185
Adjustment for encumbrances	1,835,121
GAAP basis	$ (739,427)

*Certain funds that are legally budgeted in separate special revenue and agency funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, rotary, public school support, unclaimed monies and underground storage tank funds.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future fiscal years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

NOTE 16 - SET-ASIDES - (Continued)

	Capital Improvements
Set-aside balance June 30, 2017	$ -
Current fiscal year set-aside requirement	417,785
Current fiscal year offsets	(417,785)
Total	$ -
Balance carried forward to fiscal year 2019	$ -
Set-aside balance June 30, 2018	$ -

The District has qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount to 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 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year-end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund	Fiscal Year-End Encumbrances
General	$ 1,522,394
Classroom facilities	22,860,158
Other governmental	337,976
Total	$ 24,720,528

NOTE 18 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

The District is involved in no pending litigation that would have a material effect on the financial condition of the District.

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

The District placed a 7.4 mill operating levy on the November 6, 2018 ballot, which was not approved by voters.

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REQUIRED SUPPLEMENTARY INFORMATION

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.11375570%	0.11754120%	0.11905320%	0.12394500%	0.12394500%
District's proportionate share of the net pension liability	$ 6,796,652	$ 8,602,931	$ 6,793,291	$ 6,272,786	$ 7,370,364
District's covered payroll	$ 3,663,236	$ 3,009,090	$ 2,847,473	$ 2,799,257	$ 2,846,575
District's proportionate share of the net pension liability as a percentage of its covered payroll	185.54%	285.90%	238.57%	224.09%	258.92%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.11339407%	0.11319513%	0.11113764%	0.11015718%	0.11015718%
District's proportionate share of the net pension liability	$ 26,937,004	$ 37,889,822	$ 30,715,193	$ 26,794,038	$ 31,916,200
District's covered payroll	$ 12,441,293	$ 12,174,936	$ 11,797,393	$ 11,506,985	$ 11,650,538
District's proportionate share of the net pension liability as a percentage of its covered payroll	216.51%	311.21%	260.36%	232.85%	273.95%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 513,854	$ 512,853	$ 396,598	$ 390,958
Contributions in relation to the contractually required contribution	(513,854)	(512,853)	(396,598)	(390,958)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 3,806,326	$ 3,663,236	$ 3,009,090	$ 2,847,473
Contributions as a percentage of covered payroll	13.50%	14.00%	13.18%	13.73%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	387,977	$	393,966	$	395,994	$	366,516	$	385,856	$	362,524
	(387,977)		(393,966)		(395,994)		(366,516)		(385,856)		(362,524)
$	-	$	-	$	-	$	-	$	-	$	-
$	2,799,257	$	2,846,575	$	2,944,193	$	2,915,800	$	2,849,749	$	3,684,187
	13.86%		13.84%		13.45%		12.57%		13.54%		9.84%

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 1,819,541	$ 1,741,781	$ 1,704,491	$ 1,651,635
Contributions in relation to the contractually required contribution	(1,819,541)	(1,741,781)	(1,704,491)	(1,651,635)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 12,996,721	$ 12,441,293	$ 12,174,936	$ 11,797,393
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 1,495,908	$ 1,514,570	$ 1,699,709	$ 1,657,788	$ 1,634,856	$ 1,691,173
(1,495,908)	(1,514,570)	(1,699,709)	(1,657,788)	(1,634,856)	(1,691,173)
$ -	$ -	$ -	$ -	$ -	$ -
$ 11,506,985	$ 11,650,538	$ 13,074,685	$ 12,752,215	$ 12,575,815	$ 13,009,023
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	**2017**
District's proportion of the net OPEB liability	0.11516320%	0.11855788%
District's proportionate share of the net OPEB liability	$ 3,090,678	$ 3,379,338
District's covered payroll	$ 3,663,236	$ 3,009,090
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	84.37%	112.30%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	**2017**
District's proportion of the net OPEB liability	0.11339407%	0.11319513%
District's proportionate share of the net OPEB liability	$ 4,424,218	$ 6,053,705
District's covered payroll	$ 12,441,293	$ 12,174,936
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.56%	49.72%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 80,528	$ 61,506	$ 20,963	$ 20,665
Contributions in relation to the contractually required contribution	(80,528)	(61,506)	(20,963)	(20,665)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 3,806,326	$ 3,663,236	$ 3,009,090	$ 2,847,473
Contributions as a percentage of covered payroll	2.12%	1.68%	0.70%	0.73%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 64,186	$ 65,017	$ 71,654	$ 18,872	$ 19,868	$ 16,603
(64,186)	(65,017)	(71,654)	(18,872)	(19,868)	(16,603)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,799,257	$ 2,846,575	$ 2,944,193	$ 2,915,800	$ 2,849,749	$ 3,684,187
2.29%	2.28%	2.43%	0.65%	0.70%	0.45%

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 12,996,721	$ 12,441,293	$ 12,174,936	$ 11,797,393
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 115,070	$ 116,505	$ 130,747	$ 90,970	$ 64,647	$ 143,469
(115,070)	(116,505)	(130,747)	(90,970)	(64,647)	(143,469)
$ -	$ -	$ -	$ -	$ -	$ -
$ 11,506,985	$ 11,650,538	$ 13,074,685	$ 12,752,215	$ 12,575,815	$ 13,009,023
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' 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 general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Tallmadge City School District, Summit County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2018. We noted the District implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*", GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tallmadge City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance 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 Standard*s.

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.

Wilson, Phillips & Agin, CPA's, Inc.
Tallmadge, Ohio
November 20, 2018

WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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 Each Major Federal Program

We have audited the Tallmadge City School District's compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could directly and materially affect each of the Tallmadge City School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Tallmadge City School District's major federal programs.

Management's Responsibility

The Tallmadge City School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Tallmadge City School District's compliance for each of the Tallmadge City School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*, and 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 Tallmadge City School District's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion

In our opinion, the Tallmadge City School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The Tallmadge City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Tallmadge City School District's internal control over compliance with the applicable requirements that could directly and materially affect on 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 Tallmadge City School District's internal control over compliance.

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

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

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

Wilson, Phillips & Agin, CPA's, Inc.
Tallmadge, Ohio
November 20, 2018

TALLMADGE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
2 CFR SECTION 200.515
June 30, 2018

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies In internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
(d)(1)(vii)	Major Programs:	Nutrition, CFDA #10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >$750,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee under v 2 CFR 200.520?	Yes

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

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

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TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements	Pass Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:							
Pass through Ohio Department of Education							
Nutrition Cluster							
National School Breakfast Program	n/a	10.553	72,800	-	72,800	-	-
National School Lunch Program	n/a	10.555	241,937	49,222	241,937	49,222	-
Total Nutrition Cluster			314,737	49,222	314,737	49,222	-
Total U.S. Department of Agriculture			**314,737**	**49,222**	**314,737**	**49,222**	**-**
U.S. DEPARTMENT OF EDUCATION:							
Pass through Ohio Department of Education							
Title I Educationally Deprived Children	4488-3M00-2017	84.010	52,085	-	72,348	-	-
	4488-3M00-2017		-	-	931	-	-
	4488-3M00-2018		360,129	-	349,324	-	-
	4488-3M00-2018		16,049	-	15,225	-	-
			428,263	-	437,828	-	-
Title VI-B Special Education Assistance	4488-3M20-2017	84.027	17,412	-	35,749	-	-
	4488-3M20-2018		391,438	-	382,438	-	-
			408,850	-	418,187	-	-
Supporting Effective Instruction	4488-3Y60-2017	84.367	5,746	-	8,781	-	-
	4488-3Y60-2018		78,453	-	77,358	-	-
			84,199	-	86,139	-	-
Career and Technical Education Basic State Grant	4488-3I90-2018	84.048	2,800	-	2,800	-	-
			2,800	-	2,800	-	-
Title IV Student Support & Enrichment	4488-3HI0-2018	84.424	7,710	-	6,610	-	-
			7,710	-	6,610	-	-
Total U.S. Department of Education			**931,822**	**-**	**951,564**	**-**	**-**
Total Federal Awards Expenditures			**1,246,559**	**49,222**	**1,266,301**	**49,222**	**-**

See notes to Schedule of Federal Awards Expenditures.

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - GENERAL

The basis for determining when federal awards are expended is presented 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. In addition, expenditures reported on the Schedule are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, or 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 are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The School District passes-through certain Federal assistance received from the U.S. Department of Education to other governments or not-for-profit agencies (subrecipients). As described in Note A, the School District records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under the Uniform Guidance, the School District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved. There were no subrecipients in the year ended June 30, 2018.

NOTES D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

Tallmadge City School District reports commodities on the Schedule at fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

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
JANUARY 10, 2019