

TALLMADGE CITY SCHOOL DISTRICT
ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Wilson, Phillips & Agin, CPA's, Inc.
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OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditors' Report* of Tallmadge City School District, Summit County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period July 1, 2018 through June 30, 2019. 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. Tallmadge City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 15, 2020

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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
ZANESVILLE, 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, 2019, 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, 2019, 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, 2019, the District implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*", and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 December 10, 2019, 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019. 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 2019 are as follows:

- Net position of governmental activities increased \$3,858,197, which represents a \$150.66% increase from 2018's net position.
- General revenues accounted for \$29,879,523 in revenue or 84.77% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,369,367 or 15.23% of total governmental activities revenues of \$35,248,890.
- The District had \$31,390,693 in expenses related to governmental activities, \$5,369,367 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 \$29,879,523 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 \$28,552,933 in revenues and other financing sources and \$29,461,414 in expenditures. The fund balance of the general fund decreased \$908,481 from a balance of \$2,196,313 to \$1,287,832.
- The bond retirement fund had \$13,046,631 in revenues and other financing sources and \$13,073,518 in expenditures and other financing uses. The fund balance of the bond retirement fund decreased \$26,887 from \$1,290,885 to \$1,263,998.
- The building fund had \$103,118 in revenues and \$7,081,742 in expenditures. The fund balance of the building fund decreased \$6,978,624 from \$8,161,678 to \$1,183,054.
- The classroom facilities fund had \$11,576,073 in revenues and \$25,309,882 in expenditures. The fund balance of the classroom facilities fund decreased \$13,733,809 from \$26,106,957 to \$12,373,148.

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019?” 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 16 and 17 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 11. 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 18 - 22 of this report.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 23 - 25 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 26. 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 27 - 71 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/asset in this report on pages 74 - 89.

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**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019 and June 30, 2018.

Net Position

	Governmental Activities	
	2019	2018
<u>Assets</u>		
Current and other assets	\$ 48,338,198	\$ 76,956,810
Net OPEB asset	1,812,208	-
Capital assets, net	72,558,832	40,870,296
Total assets	122,709,238	117,827,106
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	864,465	1,694,250
Pension	8,091,457	10,336,249
OPEB	359,520	345,040
Total deferred outflows	9,315,442	12,375,539
<u>Liabilities</u>		
Current liabilities	8,671,400	5,041,089
Long-term liabilities:		
Due within one year	1,836,587	1,652,942
Due in more than one year:		
Net pension liability	31,313,150	33,733,656
Net OPEB liability	3,197,377	7,514,896
Other amounts	58,888,107	61,097,338
Total liabilities	103,906,621	109,039,921
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	16,449,996	16,351,304
Pension	2,074,309	1,322,759
OPEB	3,174,673	927,777
Total deferred inflows	21,698,978	18,601,840
<u>Net Position</u>		
Net investment in capital assets	11,515,199	14,160,727
Restricted	22,852,950	18,694,898
Unrestricted (deficit)	(27,949,068)	(30,294,741)
Total net position	\$ 6,419,081	\$ 2,560,884

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2019 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27.” The 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/asset to the reported net position and subtracting deferred outflows and deferred inflows 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/asset 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 *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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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/asset, respectively, not accounted for as deferred inflows/outflows.

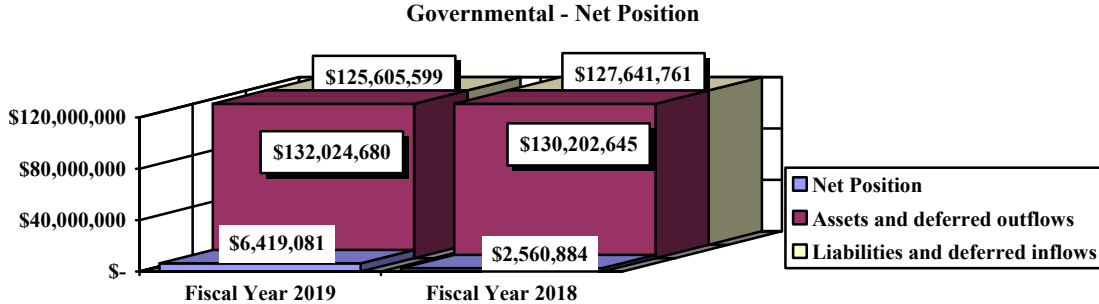
Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2019, the District’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,419,081.

The net investment in capital assets at June 30, 2019 was \$11,515,199. A portion of the District’s net position, \$22,852,950, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$27,949,068.

At year-end, capital assets represented 59.13% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets are used to provide services to the students and are not available for future spending.

Total assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 13 for more detail. STRS did not report a net pension asset in the prior year.

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 2019 and 2018.



The table below shows the changes in net position for governmental activities between 2019 and 2018.

Change in Net Position

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities	
	2019	2018
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,297,942	\$ 1,479,685
Operating grants and contributions	3,433,400	3,721,537
Capital grants and contributions	638,025	573,606
General revenues:		
Property taxes	18,591,015	18,643,612
Grants and entitlements - not restricted	10,306,619	10,121,976
Investment earnings	221,676	126,432
Miscellaneous	760,213	114,980
Total revenues	35,248,890	34,781,828
		-Continued
	Governmental Activities (Continued)	
	2019	2018
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 12,697,033	\$ 5,259,452
Special	3,418,935	1,579,234
Vocational	898,938	502,701
Adult/continuing	98,524	96,081
Support services:		
Pupil	1,570,044	662,038
Instructional staff	377,441	272,083
Board of education	35,426	36,361
Administration	1,804,389	954,621
Fiscal	790,604	654,774
Business	142,510	65,379
Operations and maintenance	2,463,917	1,447,591
Pupil transportation	2,414,817	2,345,511
Central	581,889	843,004
Operation of non-instructional services	1,043,827	820,654
Extracurricular activities	1,090,856	685,603
Interest and fiscal charges	1,961,543	2,046,641
Total expenses	31,390,693	18,271,728
Changes in net position	3,858,197	16,510,100
Net position (deficit) at beginning of year	2,560,884	(13,949,216)
Net position at end of year	\$ 6,419,081	\$ 2,560,884

Governmental Activities

Net position of the District's governmental activities increased \$3,858,197. Total governmental expenses of \$31,390,693 were offset by program revenues of \$5,369,367 and general revenues of \$29,879,523. Program revenues supported

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

17.11% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 81.98% of total governmental revenue. Real estate property is reappraised every six years.

Expenses of the governmental activities increased \$13,118,965 or 71.80%. This increase 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% in fiscal year 2018. The expenses of the governmental activities are comparable to fiscal year 2017 expenses before the STRS and SERS COLA adjustments.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$17,113,430 or 54.52% of total governmental expenses for fiscal year 2019.

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 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

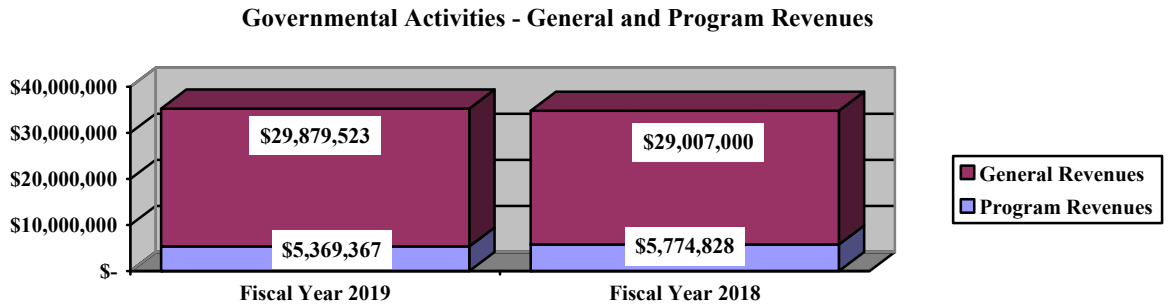
Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Program expenses:				
Instruction:				
Regular	\$ 12,697,033	\$ 11,873,538	\$ 5,259,452	\$ 4,290,886
Special	3,418,935	1,659,098	1,579,234	(609,720)
Vocational	898,938	678,074	502,701	290,566
Adult/continuing	98,524	6,684	96,081	45,119
Support services:				
Pupil	1,570,044	1,453,858	662,038	590,084
Instructional staff	377,441	355,728	272,083	256,832
Board of Education	35,426	35,426	36,361	34,800
Administration	1,804,389	1,732,283	954,621	869,369
Fiscal	790,604	790,604	654,774	650,958
Business	142,510	142,510	65,379	65,379
Operations and maintenance	2,463,917	2,383,027	1,447,591	1,359,557
Pupil transportation	2,414,817	1,642,193	2,345,511	1,703,762
Central	581,889	581,889	843,004	843,004
Operation of non-instructional services	1,043,827	30,959	820,654	(182,592)
Extracurricular activities	1,090,856	693,912	685,603	242,255
Interest and fiscal charges	1,961,543	1,961,543	2,046,641	2,046,641
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 31,390,693</u>	<u>\$ 26,021,326</u>	<u>\$ 18,271,728</u>	<u>\$ 12,496,900</u>

The dependence upon tax revenues during fiscal year 2019 for governmental activities is apparent, as 83.08% of fiscal year 2019 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The graph below presents the District's governmental activities revenue for fiscal years 2019 and 2018.



The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$16,264,130, which is below last year's total of \$37,934,059. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance <u>June 30, 2019</u>	Fund Balance <u>June 30, 2018</u>	<u>Change</u>
General	\$ 1,287,832	\$ 2,196,313	\$ (908,481)
Bond Retirement	1,263,998	1,290,885	(26,887)
Building	1,183,054	8,161,678	(6,978,624)
Classroom Facilities	12,373,148	26,106,957	(13,733,809)
Other Governmental	<u>156,098</u>	<u>178,226</u>	<u>(22,128)</u>
Total	<u>\$ 16,264,130</u>	<u>\$ 37,934,059</u>	<u>\$ (21,669,929)</u>

General Fund

The District's general fund balance decreased \$908,481 during fiscal year 2019. The following table assists in illustrating the revenues of the general fund.

	2019 <u>Amount</u>	2018 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 14,888,908	\$ 14,760,205	0.87 %
Intergovernmental	11,890,459	11,714,371	1.50 %
Other revenues	<u>1,451,774</u>	<u>970,459</u>	49.60 %
Total	<u>\$ 28,231,141</u>	<u>\$ 27,445,035</u>	2.86 %

Revenues of the general fund increased \$786,106 or 2.86%. The increase in other revenues was primarily due to the District receipting employee withheld premiums into the general fund in the current fiscal year. All other revenues remained comparable to the prior fiscal year.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

<u>Expenditures</u>	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Percentage Change</u>
Instruction	\$ 17,955,721	\$ 17,162,648	4.62 %
Support services	10,123,822	9,990,165	1.34 %
Operation of non-instructional	122,950	123,504	(0.45) %
Extracurricular activities	937,129	908,145	3.19 %
Capital outlay	<u>321,792</u>	<u>-</u>	100.00 %
Total	<u>\$ 29,461,414</u>	<u>\$ 28,184,462</u>	4.53 %

Expenditures in the general fund increased \$1,276,952 or 4.53%. The increase in instruction was primarily due to the increase of \$704,419 in regular instruction related to costs associated with annual increases in salaries, wages and benefits. The District's entered into a capital lease of chrome books for \$321,792 in the current fiscal year, which caused capital outlay to increase.

Bond Retirement Fund

The bond retirement fund had \$13,046,631 in revenues and other financing sources and \$13,073,518 in expenditures and other financing uses. The fund balance of the bond retirement fund decreased \$26,887 from \$1,290,885 to \$1,263,998. The District issued general obligation bond in the amount of \$8,875,000 in the current fiscal year to refund a portion on the 2012 and 2013 school facilities refunding bonds.

Building Fund

The building fund had \$103,118 in revenues and \$7,081,742 in expenditures. The fund balance of the building fund decreased \$6,978,624 from \$8,161,678 to \$1,183,054, as costs related to the OSFC project were expended.

Classroom Facilities Fund

The classroom facilities fund had \$11,576,073 in revenues and \$25,309,882 in expenditures. The fund balance of the classroom facilities fund decreased \$13,733,809 from \$26,106,957 to \$12,373,148, as costs related to the OSFC project were expended. The classroom facilities fund was established to account for the District's CFAP construction project with the OSFC. The state share of the project, \$3,219,110, has been reported as a receivable at June 30, 2019. The District will continue to 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 2019, 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 \$26,437,447. Actual revenues and other financing sources of \$27,887,642 were equal to the final budgeted revenues and other financing sources of \$27,887,642.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

General fund original appropriations were \$32,710,274 and final appropriations were \$30,822,260. The actual budget basis expenditures for fiscal year 2019 totaled \$30,305,112, which was \$517,148 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District had \$72,558,832 invested in land, construction in progress, buildings and improvements, furniture and equipment, vehicles and construction in progress. The following table shows fiscal year 2019 balances compared to 2018:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	2019	2018
Land	\$ 3,716,335	\$ 3,354,650
Buildings and improvements	30,298,732	30,847,706
Furniture and equipment	375,594	508,868
Vehicles	52,225	58,095
Construction in progress	38,115,946	6,100,977
Total	\$ 72,558,832	\$ 40,870,296

The District had additions of \$32,384,554 and depreciation expense of \$696,018 in fiscal year 2019.

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

Debt Administration

At June 30, 2019, the District had \$55,184,169 in general obligation bonds. Of this total, \$1,545,000 is due within one year and \$53,639,169 is due in greater than one year. The District also had \$321,792 outstanding for a capital lease. Of this amount, \$84,429 is due within one year and \$237,363 is due in greater than one year.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Outstanding Debt, at Year End

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
General obligation bonds	\$ 55,184,169	\$ 57,026,652
Capital lease	<u>321,792</u>	<u>-</u>
Total	<u>\$ 55,505,961</u>	<u>\$ 57,026,652</u>

See Note 11 to the basic financial statements for detail on the District’s debt administration.

Current Issues Affecting Financial Condition

With the passage of a new 7.4 mill operating levy in May of 2019 the District reaffirmed its support from the community. Along with the renewals of a 6.9 mill emergency levy in 2013 and a 7.5 mill levy in November 2015, both for a 10 year period the District has established a very firm financial foundation. The District also renewed its 1.25 mill permanent improvement levy in November 2015 for a continuing period.

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 were 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. Another capital improvement 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 2018 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 final phase of construction of the new elementary and middle school buildings. The District has completed and moved into the new middle school building in the fall of 2019 and anticipates completion of the new elementary school in January of 2020. Also, the summer of 2019 marked the completion and opening of the new high school stadium, with the relocation of the baseball and softball fields ongoing.

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, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 25,706,628
Property taxes	18,856,424
Accounts	8,420
Accrued interest	11,343
Intergovernmental	3,698,214
Prepayments	48,122
Materials and supplies inventory	2,983
Inventory held for resale	6,064
Net OPEB asset	1,812,208
Capital assets:	
Nondepreciable capital assets	41,832,281
Depreciable capital assets, net	30,726,551
Capital assets, net	72,558,832
Total assets	122,709,238
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	864,465
Pension	8,091,457
OPEB	359,520
Total deferred outflows of resources	9,315,442
Liabilities:	
Accounts payable	209,985
Contracts payable	3,496,848
Retainage payable	1,075,816
Accrued wages and benefits payable	2,762,271
Intergovernmental payable	481,770
Accrued interest payable	310,831
Claims payable	333,879
Long-term liabilities:	
Due within one year	1,836,587
Due in more than one year:	
Net pension liability	31,313,150
Net OPEB liability	3,197,377
Other amounts due in more than one year	58,888,107
Total liabilities	103,906,621
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	16,449,996
Pension	2,074,309
OPEB	3,174,673
Total deferred inflows of resources	21,698,978
Net position:	
Net investment in capital assets	11,515,199
Restricted for:	
Debt service	845,490
Capital projects	21,804,034
Extracurricular	90,249
Non-public schools	46,204
Federally funded programs	2,800
Other purposes	64,173
Unrestricted (deficit)	(27,949,068)
Total net position	\$ 6,419,081

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, 2019

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental activities:					
Instruction:					
Regular	\$ 12,697,033	\$ 198,619	\$ 91,440	\$ 533,436	\$ (11,873,538)
Special	3,418,935	-	1,759,837	-	(1,659,098)
Vocational	898,938	-	220,864	-	(678,074)
Adult/continuing	98,524	-	91,840	-	(6,684)
Support services:					
Pupil	1,570,044	-	116,186	-	(1,453,858)
Instructional staff	377,441	-	21,713	-	(355,728)
Board of education	35,426	-	-	-	(35,426)
Administration	1,804,389	69,899	2,207	-	(1,732,283)
Fiscal	790,604	-	-	-	(790,604)
Business	142,510	-	-	-	(142,510)
Operations and maintenance	2,463,917	69,762	11,128	-	(2,383,027)
Pupil transportation	2,414,817	122,020	650,604	-	(1,642,193)
Central	581,889	-	-	-	(581,889)
Other non-instructional services	201,685	-	95,919	-	(105,766)
Food service operations	842,142	547,710	369,239	-	74,807
Extracurricular activities	1,090,856	289,932	2,423	104,589	(693,912)
Interest and fiscal charges	1,961,543	-	-	-	(1,961,543)
Total governmental activities	\$ 31,390,693	\$ 1,297,942	\$ 3,433,400	\$ 638,025	(26,021,326)
General revenues:					
Property taxes levied for:					
General purposes					14,875,908
Debt service					3,377,988
Capital outlay					337,119
Grants and entitlements not restricted to specific programs					10,306,619
Investment earnings					221,676
Miscellaneous					760,213
Total general revenues					29,879,523
Change in net position					3,858,197
Net position at beginning of year					2,560,884
Net position at end of year					\$ 6,419,081

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents . . .	\$ 2,399,063	\$ 939,479	\$ 2,217,069	\$ 15,912,499	\$ 615,211	\$ 22,083,321
Receivables:						
Property taxes	15,083,811	3,429,533	-	-	343,080	18,856,424
Accounts	7,920	-	-	-	500	8,420
Accrued interest	-	-	1,471	9,872	-	11,343
Intergovernmental	162,320	-	-	3,219,110	316,784	3,698,214
Prepayments	48,122	-	-	-	-	48,122
Materials and supplies inventory	-	-	-	-	2,983	2,983
Inventory held for resale	-	-	-	-	6,064	6,064
Due from other funds	352,575	-	-	-	-	352,575
Total assets	<u>\$ 18,053,811</u>	<u>\$ 4,369,012</u>	<u>\$ 2,218,540</u>	<u>\$ 19,141,481</u>	<u>\$ 1,284,622</u>	<u>\$ 45,067,466</u>
Liabilities:						
Accounts payable	190,619	-	702	-	18,664	209,985
Contracts payable	-	-	731,399	2,765,449	-	3,496,848
Retainage payable	-	-	301,914	773,902	-	1,075,816
Accrued wages and benefits payable	2,630,933	-	-	-	131,338	2,762,271
Matured compensated absences payable	12,309	-	-	-	-	12,309
Intergovernmental payable	453,510	-	-	-	28,260	481,770
Due to other funds	-	-	-	-	352,575	352,575
Total liabilities	<u>3,287,371</u>	<u>-</u>	<u>1,034,015</u>	<u>3,539,351</u>	<u>530,837</u>	<u>8,391,574</u>
Deferred inflows of resources:						
Property taxes levied for the next fiscal year . . .	13,093,386	3,063,011	-	-	293,599	16,449,996
Delinquent property tax revenue not available . . .	231,335	42,003	-	-	5,773	279,111
Intergovernmental revenue not available	148,120	-	-	3,219,110	298,315	3,665,545
Accrued interest not available	-	-	1,471	9,872	-	11,343
Miscellaneous revenue not available	5,767	-	-	-	-	5,767
Total deferred inflows of resources	<u>13,478,608</u>	<u>3,105,014</u>	<u>1,471</u>	<u>3,228,982</u>	<u>597,687</u>	<u>20,411,762</u>
Fund balances:						
Nonspendable:						
Materials and supplies inventory	-	-	-	-	2,983	2,983
Prepays	48,122	-	-	-	-	48,122
Unclaimed monies	197	-	-	-	-	197
Restricted:						
Debt service	-	1,263,998	-	-	-	1,263,998
Capital improvements	-	-	1,183,054	12,373,148	438,942	13,995,144
Extracurricular	-	-	-	-	90,249	90,249
Non-public schools	-	-	-	-	46,204	46,204
Federally funded programs	-	-	-	-	2,800	2,800
Other purposes	-	-	-	-	64,173	64,173
Committed:						
Underground storage tank	16,179	-	-	-	-	16,179
Assigned:						
Student instruction	280,044	-	-	-	-	280,044
Student and staff support	910,519	-	-	-	-	910,519
Extracurricular activities	5,527	-	-	-	-	5,527
School supplies	16,898	-	-	-	-	16,898
Other purposes	10,346	-	-	-	-	10,346
Unassigned (deficit)	-	-	-	-	(489,253)	(489,253)
Total fund balances	<u>1,287,832</u>	<u>1,263,998</u>	<u>1,183,054</u>	<u>12,373,148</u>	<u>156,098</u>	<u>16,264,130</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 18,053,811</u>	<u>\$ 4,369,012</u>	<u>\$ 2,218,540</u>	<u>\$ 19,141,481</u>	<u>\$ 1,284,622</u>	<u>\$ 45,067,466</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total governmental fund balances		\$ 16,264,130
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		72,558,832
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	\$ 279,111	
Accounts receivable	5,767	
Accrued interest receivable	11,343	
Intergovernmental receivable	3,665,545	
Total		3,961,766
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.		3,289,428
Unamortized deferred charges on refundings are not recognized in the funds.		864,465
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(310,831)
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	8,091,457	
Deferred inflows of resources - pension	(2,074,309)	
Net pension liability	(31,313,150)	
Total		(25,296,002)
The net OPEB liability/asset is not due and payable in the current period, therefore, the liability/asset and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - OPEB	359,520	
Deferred inflows of resources - OPEB	(3,174,673)	
Net OPEB asset	1,812,208	
Net OPEB liability	(3,197,377)	
Total		(4,200,322)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(54,995,000)	
Capital appreciation bonds	(39,489)	
Accretion of interest - capital appreciation bonds	(149,680)	
Unamortized bond premium	(2,300,945)	
Capital lease	(321,792)	
Compensated absences	(2,905,479)	
Total		(60,712,385)
Net position of governmental activities		\$ 6,419,081

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, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Property taxes	\$ 14,888,908	\$ 3,380,448	\$ -	\$ -	\$ 337,427	\$ 18,606,783
Tuition	195,411	-	-	-	-	195,411
Earnings on investments	156,010	-	100,031	578,130	-	834,171
Charges for services	-	-	-	-	550,867	550,867
Extracurricular	270,034	-	-	-	211,817	481,851
Classroom materials and fees	3,208	-	-	-	-	3,208
Rental income	64,905	-	-	-	-	64,905
Contributions and donations	6,060	-	-	-	108,153	114,213
Other local revenues	756,146	-	-	-	-	756,146
Intergovernmental - state	11,842,521	295,010	-	11,052,509	140,284	23,330,324
Intergovernmental - federal	47,938	-	-	-	1,310,168	1,358,106
Change in fair value of investments	-	-	3,087	(54,566)	-	(51,479)
Total revenues	<u>28,231,141</u>	<u>3,675,458</u>	<u>103,118</u>	<u>11,576,073</u>	<u>2,658,716</u>	<u>46,244,506</u>
Expenditures:						
Current:						
Instruction:						
Regular	13,814,976	-	-	-	86,392	13,901,368
Special	3,142,597	-	-	-	809,757	3,952,354
Vocational	977,610	-	-	-	-	977,610
Adult/continuing	20,538	-	-	-	75,800	96,338
Support services:						
Pupil	1,589,354	-	-	-	159,977	1,749,331
Instructional staff	389,408	-	-	-	22,795	412,203
Board of education	38,686	-	-	-	-	38,686
Administration	1,990,721	-	-	-	-	1,990,721
Fiscal	761,622	48,259	360	13,908	4,680	828,829
Business	164,920	-	-	-	-	164,920
Operations and maintenance	2,265,199	-	-	-	14,091	2,279,290
Pupil transportation	2,341,336	-	-	-	71,053	2,412,389
Central	582,576	-	6,719,697	-	-	7,302,273
Other non-instructional services	122,950	-	-	-	102,391	225,341
Food service operations	-	-	-	-	883,369	883,369
Extracurricular activities	937,129	-	-	-	226,215	1,163,344
Facilities acquisition and construction	-	-	361,685	25,295,974	224,324	25,881,983
Capital outlay	321,792	-	-	-	-	321,792
Debt service:						
Principal retirement	-	1,008,056	-	-	-	1,008,056
Interest and fiscal charges	-	1,939,086	-	-	-	1,939,086
Refunding bond issuance costs	-	145,448	-	-	-	145,448
Accretion on capital appreciation bonds	-	521,944	-	-	-	521,944
Total expenditures	<u>29,461,414</u>	<u>3,662,793</u>	<u>7,081,742</u>	<u>25,309,882</u>	<u>2,680,844</u>	<u>68,196,675</u>
Excess of expenditures over revenues	(1,230,273)	12,665	(6,978,624)	(13,733,809)	(22,128)	(21,952,169)
Other financing sources:						
Premium on refunding bonds	-	496,173	-	-	-	496,173
Sale of refunding bonds	-	8,875,000	-	-	-	8,875,000
Capital lease transaction	321,792	-	-	-	-	321,792
Payment to refunding bond escrow agent	-	(9,410,725)	-	-	-	(9,410,725)
Total other financing sources	<u>321,792</u>	<u>(39,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,240</u>
Net change in fund balances	(908,481)	(26,887)	(6,978,624)	(13,733,809)	(22,128)	(21,669,929)
Fund balances at beginning of year	<u>2,196,313</u>	<u>1,290,885</u>	<u>8,161,678</u>	<u>26,106,957</u>	<u>178,226</u>	<u>37,934,059</u>
Fund balances at end of year	<u>\$ 1,287,832</u>	<u>\$ 1,263,998</u>	<u>\$ 1,183,054</u>	<u>\$ 12,373,148</u>	<u>\$ 156,098</u>	<u>\$ 16,264,130</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		\$ (21,669,929)
<i>Amounts reported for governmental activities in the statement of activities because:</i>		
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	\$ 32,384,554	
Current year depreciation	(696,018)	
Total		31,688,536
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(15,768)	
Earnings on investments	11,343	
Rental income	1,700	
Intergovernmental	(10,962,515)	
Other local revenues	4,067	
Total		(10,961,173)
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	1,008,056	
Accreted interest on capital appreciation bonds	521,944	
Total		1,530,000
The issuances of refunding bonds and capital leases are recorded as other financing sources in the governmental funds; however, in the statement of activities, they are not reported as revenues as they increase long-term liabilities on the statement of net position.		
Refunding bonds	(8,875,000)	
Capital lease	(321,792)	
Total		(9,196,792)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
General obligation bonds refunded	9,250,000	
Unamortized premium on general obligation bonds refunded	856,582	
Unamortized deferred charges on general obligation bonds refunded	(940,160)	
Deferred charges on refunding	244,303	
Total		9,410,725
Premiums on debt issuances are recognized as revenues in the governmental funds; however, they are amortized over the life of the issuance on the statement of activities.		
		(496,173)
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:		
Decrease in accrued interest payable	58,937	
Accretion of interest on capital appreciation bonds	(62,517)	
Amortization of bond premiums	260,499	
Amortization of deferred charges on refunding	(133,928)	
Total		122,991
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		2,323,638
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.		
		(2,899,474)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		88,059
Except for amounts reported as deferred inflows/outflows of resources, changes in the net OPEB liability/asset are reported as pension expense in the statement of activities.		
		3,809,252
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.		
		(103,704)
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.		
		212,241
Change in net position of governmental activities		\$ 3,858,197

**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, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 20,609,459	\$ 14,620,015	\$ 14,620,015	\$ -
Tuition.	425,162	250,037	250,037	-
Earnings on investments	161,345	156,010	156,010	-
Extracurricular.	16,901	42,389	42,389	-
Classroom materials and fees	8	20	20	-
Rental income	27,872	69,905	69,905	-
Other local revenues	294,465	738,532	738,532	-
Intergovernmental - state	4,698,442	11,783,900	11,783,900	-
Intergovernmental - federal	15,279	38,320	38,320	-
Total revenues	<u>26,248,933</u>	<u>27,699,128</u>	<u>27,699,128</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,576,334	14,255,601	14,096,269	159,332
Special.	3,258,297	3,155,522	3,154,263	1,259
Vocational.	955,317	983,532	983,153	379
Adult/continuing	26,452	20,538	20,538	-
Support services:				
Pupil.	1,742,888	1,607,723	1,606,666	1,057
Instructional staff	502,076	408,545	407,111	1,434
Board of education	38,690	39,533	38,716	817
Administration.	2,189,074	2,031,740	1,970,053	61,687
Fiscal	835,651	785,776	769,101	16,675
Business	163,590	171,141	171,141	-
Operations and maintenance.	3,684,306	2,946,402	2,687,663	258,739
Pupil transportation	3,034,924	2,755,239	2,755,239	-
Central.	687,489	641,712	629,712	12,000
Other operation of non-instructional services	118,694	124,906	124,906	-
Extracurricular activities.	896,492	894,350	890,581	3,769
Total expenditures	<u>32,710,274</u>	<u>30,822,260</u>	<u>30,305,112</u>	<u>517,148</u>
Excess of expenditures over revenues	<u>(6,461,341)</u>	<u>(3,123,132)</u>	<u>(2,605,984)</u>	<u>517,148</u>
Other financing sources:				
Refund of prior year's expenditures	168,285	168,285	168,285	-
Sale of capital assets	20,229	20,229	20,229	-
Total other financing sources	<u>188,514</u>	<u>188,514</u>	<u>188,514</u>	<u>-</u>
Net change in fund balance	(6,272,827)	(2,934,618)	(2,417,470)	517,148
Unencumbered fund balance at beginning of year.	1,963,143	1,963,143	1,963,143	-
Prior year encumbrances appropriated	1,835,121	1,835,121	1,835,121	-
Unencumbered fund balance at end of year.	<u>\$ (2,474,563)</u>	<u>\$ 863,646</u>	<u>\$ 1,380,794</u>	<u>\$ 517,148</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 3,623,307
Total assets.	<u>3,623,307</u>
Liabilities:	
Claims payable.	<u>333,879</u>
Total liabilities	<u>333,879</u>
Net position:	
Unrestricted.	<u>3,289,428</u>
Total net position.	<u>\$ 3,289,428</u>

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, 2019

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Charges for services	\$ 3,956,261
Total operating revenues	<u>3,956,261</u>
Operating expenses:	
Purchased services	782,355
Claims	<u>3,027,331</u>
Total operating expenses	<u>3,809,686</u>
Operating income	<u>146,575</u>
Nonoperating revenues:	
Interest revenue	<u>65,666</u>
Total nonoperating revenues	<u>65,666</u>
Change in net position	212,241
Net position at beginning of year	<u>3,077,187</u>
Net position at end of year	<u><u>\$ 3,289,428</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 3,956,261
Cash payments for contractual services	(782,355)
Cash payments for claims	<u>(2,989,650)</u>
Net cash provided by operating activities	<u>184,256</u>
Cash flows from investing activities:	
Interest received	<u>65,666</u>
Net cash provided by investing activities	<u>65,666</u>
Net increase in cash and cash equivalents	249,922
Cash and cash equivalents at beginning of year . . .	<u>3,373,385</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,623,307</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 146,575
Changes in assets and liabilities:	
Increase in claims payable	<u>37,681</u>
Net cash provided by operating activities.	<u><u>\$ 184,256</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2019

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	<u>\$ 57,516</u>
Total assets.	<u>\$ 57,516</u>
Liabilities:	
Due to students.	<u>57,516</u>
Total liabilities	<u>\$ 57,516</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 – 89 classified employees and 181 certified full-time personnel who provide services to 2,409 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).

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 2019, the District contributed \$195,787 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019, but which were levied to finance fiscal year 2020 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 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 2019, the District's investments included commercial paper, U.S. Treasury bills, U.S. Treasury notes, 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 2019, 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 2019 amounted to \$156,010, which includes \$42,630 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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.

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 11.

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, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, 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 2019.

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

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" GASB Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 181,228
IDEA Part B	179,242
Title I	99,290
Title III	6,169
Improving teacher quality	16,454
Miscellaneous federal grants	3,887

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty 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 resending the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2019, the carrying amount of all District deposits was (\$2,184,107) and the bank balance of all District deposits was \$4,378,438. Of the bank balance, \$250,000 was covered by the FDIC and \$4,128,438 was covered by the Ohio Pooled Collateral System (OPCS). The negative carrying amount of the District deposits was not due to an actual cash overdraft, but due to timing differences.

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 fair 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the District’s financial institution was approved for a reduced collateral rate 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, 2019, the District had the following investments and maturity:

<u>Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
<i>Fair value:</i>			
Commercial paper	\$ 7,696,734	\$ 5,746,608	\$ 1,950,126
U.S. Treasury notes	4,435,514	4,321,008	114,506
U.S. Treasury bills	98,874	-	98,874
U.S. Government money markets	870,705	870,705	-
<i>Amortized cost:</i>			
STAR Ohio	<u>14,841,454</u>	<u>14,841,454</u>	<u>-</u>
Total	<u>\$ 27,943,281</u>	<u>\$ 25,779,775</u>	<u>\$ 2,163,506</u>

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, U.S. Treasury notes, 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).

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)

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.

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 investment in U.S. Treasury notes carry ratings of Aaa by Moodys and AA+ 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, 2019:

<u>Investment type</u>	Measurement	
	Value	% to Total
<i>Fair value:</i>		
Commercial paper	\$ 7,696,734	27.54
U.S. Treasury notes	4,435,514	15.87
U.S. Treasury bills	98,874	0.35
U.S. Government money markets	870,705	3.12
<i>Amortized cost:</i>		
STAR Ohio	14,841,454	53.12
Total	\$ 27,943,281	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, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (2,184,107)
Investments	27,943,281
Cash on hand	4,970
Total	\$ 25,764,144

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 25,706,628
Agency fund	<u>57,516</u>
Total	<u>\$ 25,764,144</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2019, as reported on the fund financial statements, consist of the following amount due to/from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor special revenue funds:	
	Food service	\$ 124,698
	IDEA Part B	162,792
	Title III	6,169
	Title I	41,258
	Improving teacher quality	6,192
	Miscellaneous federal grants	<u>11,466</u>
Total due to/due from other funds		<u>\$ 352,575</u>

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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$1,759,090 in the general fund, \$324,519 in the bond retirement fund and \$43,708 in the permanent improvement nonmajor capital projects fund. This amount is recorded as revenue. The amount available for 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. 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, 2019 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.

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 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 415,715,430	98.44	\$ 425,946,540	98.39
Public utility personal	<u>6,589,090</u>	<u>1.56</u>	<u>6,986,610</u>	<u>1.61</u>
Total	<u>\$ 422,304,520</u>	<u>100.00</u>	<u>\$ 432,933,150</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 75.35		\$ 75.09	

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).

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS - (Continued)

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 \$278,642 for fiscal year 2019.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2019 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	<u>\$ 18,856,424</u>
Accounts	<u>8,420</u>
Accrued interest	<u>11,343</u>
Intergovernmental:	
Bureau of workers compensation refund	84,695
Medicaid school program receivable	13,685
State foundation - FTE adjustments	515
Food service	5,777
IDEA Part B	179,998
Title I	100,515
Improving teacher quality	17,415
Miscellaneous federal grants	13,079
OSFC receivable	3,219,110
SERS	<u>63,425</u>
Total intergovernmental receivables	<u>\$ 3,698,214</u>

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 although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The OSFC intergovernmental receivable of \$3,219,110 will be collected over the duration of the construction project.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2019, was as follows:

	Balance <u>06/30/18</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/19</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,354,650	\$ 361,685	\$ -	\$ 3,716,335
Construction in progress	<u>6,100,977</u>	<u>32,014,969</u>	<u>-</u>	<u>38,115,946</u>
Total capital assets, not being depreciated	<u>9,455,627</u>	<u>32,376,654</u>	<u>-</u>	<u>41,832,281</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	40,651,696	-	-	40,651,696
Furniture, fixtures and equipment	2,500,405	7,900	-	2,508,305
Vehicles	<u>1,421,273</u>	<u>-</u>	<u>-</u>	<u>1,421,273</u>
Total capital assets, being depreciated	<u>44,573,374</u>	<u>7,900</u>	<u>-</u>	<u>44,581,274</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(9,803,990)	(548,974)	-	(10,352,964)
Furniture, fixtures and equipment	(1,991,537)	(141,174)	-	(2,132,711)
Vehicles	<u>(1,363,178)</u>	<u>(5,870)</u>	<u>-</u>	<u>(1,369,048)</u>
Total accumulated depreciation	<u>(13,158,705)</u>	<u>(696,018)</u>	<u>-</u>	<u>(13,854,723)</u>
Governmental activities capital assets, net	<u>\$ 40,870,296</u>	<u>\$ 31,688,536</u>	<u>\$ -</u>	<u>\$ 72,558,832</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 378,940
Special	11,221
Vocational	31,657
<u>Support services:</u>	
Pupil	4,669
Instructional staff	18,862
Administration	44,054
Fiscal	488
Business	108
Operations and maintenance	120,496
Pupil transportation	2,419
Food service operations	25,167
Extracurricular activities	<u>57,937</u>
Total depreciation expense	<u>\$ 696,018</u>

NOTE 10 - CAPITAL LEASES

In the current fiscal year, the District entered into a capital lease for chrome books. The lease is paid out of the general fund. The lease of \$321,792 was not capitalized due to the individual chrome books being below the capitalization threshold.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - CAPITAL LEASES - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2019.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 87,162
2021	87,162
2022	87,161
2023	<u>87,162</u>
Total minimum lease payments	348,647
Less: interest	<u>(26,855)</u>
Present value	<u>\$ 321,792</u>

NOTE 11 - LONG-TERM OBLIGATIONS

The District's long-term obligations activity during fiscal year 2019 consisted of the following:

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
Series 2012, refunding school facilities bonds					
Current interest	\$ 8,050,000	\$ -	\$ (1,820,000)	\$ 6,230,000	\$ 115,000
Capital appreciation	39,489	-	-	39,489	-
Accreted interest	149,680	-	-	149,680	-
Series 2013, refunding school facilities bonds					
Current interest	11,120,000	-	(7,540,000)	3,580,000	1,050,000
Capital appreciation	528,056	-	(528,056)	-	-
Accreted interest	459,427	62,517	(521,944)	-	-
Series 2018, refunding school facilities bonds					
Current interest	-	8,875,000	-	8,875,000	-
Series 2017-1, classroom facilities and school improvement bonds					
Current interest	27,445,000	-	(335,000)	27,110,000	350,000
Series 2017-2A, classroom facilities and school improvement bonds					
Current interest	7,225,000	-	(35,000)	7,190,000	30,000
Series 2017-2B, classroom facilities and school improvement bonds					
Current interest	<u>2,010,000</u>	<u>-</u>	<u>-</u>	<u>2,010,000</u>	<u>-</u>
Total general obligation bonds	<u>57,026,652</u>	<u>8,937,517</u>	<u>(10,780,000)</u>	<u>55,184,169</u>	<u>1,545,000</u>
Compensated absences	2,801,775	391,918	(275,905)	2,917,788	207,158
Capital lease	-	321,792	-	321,792	84,429
Net pension liability	33,733,656	-	(2,420,506)	31,313,150	-
Net OPEB liability	<u>7,514,896</u>	<u>106,699</u>	<u>(4,424,218)</u>	<u>3,197,377</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>101,076,979</u>	<u>9,757,926</u>	<u>(17,900,629)</u>	<u>92,934,276</u>	<u>1,836,587</u>
Add: Unamortized premium on bonds	2,921,853	496,173	(1,117,081)	2,300,945	
Total on the statement of net position	<u>\$ 103,998,832</u>	<u>\$ 10,254,099</u>	<u>\$ (19,017,710)</u>	<u>\$ 95,235,221</u>	

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

A. General Obligation Bonds

The District has six outstanding general obligation bond issues at June 30, 2019. 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, 2019, is \$8,570,000.

The current interest bonds were partially refunded in the amount of \$1,710,000 with proceeds from the Series 2018 refunding bonds. The difference in the amount refunded and the refunding for the 2018 refunding bonds is \$115,000.

At June 30, 2019, the debt issue is comprised of current interest bonds (par value \$6,230,000) 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, 2019, is \$11,075,000.

The current interest bonds were partially refunded in the amount of \$7,540,000 with proceeds from the Series 2018 refunding bonds. The difference in the amount refunded and the refunding for the 2018 refunding bonds is \$260,000.

At June 30, 2019, the debt issue is comprised of current interest bonds (par value \$3,580,000). The interest rate on the current interest bonds is 2.00-4.00 percent. The capital appreciation bonds matured 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 matured during the current fiscal year for the capital appreciation bonds at \$1,050,000.

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - 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, 2019, the debt issue is comprised of current interest serial bonds (par value \$2,325,000) 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.

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	2041	2044	2047	2053
	<u>Term Bonds</u>	<u>Term Bonds</u>	<u>Term Bonds</u>	<u>Term Bonds</u>	<u>Term Bonds</u>
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
	<u>\$ 135,000</u>	<u>\$ 4,470,000</u>	<u>\$ 4,045,000</u>	<u>\$ 4,670,000</u>	<u>\$ 11,465,000</u>

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - 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, 2019, the debt issue is comprised of current interest serial bonds (par value \$855,000) 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:

<u>Fiscal Year</u>	<u>Term Bonds</u>	<u>Term Bonds</u>
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
	<u>\$ 740,000</u>	<u>\$ 5,595,000</u>

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, 2019, 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2018 Refunding School Facilities Bonds

On October 18, 2018, the District issued general obligation bonds in the amount of \$8,875,000 to refund a portion of the 2012 and 2013 school facilities refunding bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the 2012 and 2013 refunded bonds at June 30, 2019, is \$1,710,000 and \$7,540,000, respectively.

At June 30, 2019, the debt issue is comprised of current interest serial bonds (par value \$5,945,000) and current interest term bonds (par value \$2,930,000). The interest rate on the current interest serial bonds ranges from 2.75-4.00 percent and the interest rate on the current interest term bonds is 4.00 percent. The net carrying amount exceeded the reacquisition price of the old debt by \$244,303. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2029 by \$495,172 and resulted in a net present value economic gain of \$413,126.

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, 2029.

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

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,545,000	\$ 2,404,588	\$ 3,949,588	\$ -	\$ -	\$ -
2021	1,595,000	2,348,190	3,943,190	-	-	-
2022	1,635,000	1,943,463	3,578,463	-	-	-
2023	1,695,000	1,888,700	3,583,700	-	-	-
2024	1,730,000	1,830,063	3,560,063	-	-	-
2025-2029	8,550,000	7,996,625	16,546,625	39,489	1,415,511	1,455,000
2030-2034	10,155,000	6,189,739	16,344,739	-	-	-
2035-2039	4,490,000	5,283,662	9,773,662	-	-	-
2040-2044	6,065,000	4,134,929	10,199,929	-	-	-
2045-2049	7,790,000	2,728,726	10,518,726	-	-	-
2050-2054	9,745,000	1,007,700	10,752,700	-	-	-
Total	<u>\$ 54,995,000</u>	<u>\$ 37,756,385</u>	<u>\$ 92,751,385</u>	<u>\$ 39,489</u>	<u>\$ 1,415,511</u>	<u>\$ 1,455,000</u>

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 12 and 13 to the notes to the basic financial statements for details.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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.

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, 2019, the District's voted legal debt margin was \$0 and the unvoted legal debt margin was \$432,933.

NOTE 12 - 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2019 *	Eligible to Retire after August 1, 2019
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$516,713 for fiscal year 2019. Of this amount, \$21,028 is reported as intergovernmental payable.

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% 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,806,925 for fiscal year 2019. Of this amount, \$305,976 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.11375570%	0.11339407%	
Proportion of the net pension liability current measurement date	<u>0.11377420%</u>	<u>0.11277682%</u>	
Change in proportionate share	<u>0.00001850%</u>	<u>-0.00061725%</u>	
Proportionate share of the net pension liability	\$ 6,516,059	\$ 24,797,091	\$ 31,313,150
Pension expense	\$ 449,667	\$ 2,449,807	\$ 2,899,474

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 357,366	\$ 572,396	\$ 929,762
Changes of assumptions	147,148	4,394,513	4,541,661
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	17,385	279,011	296,396
Contributions subsequent to the measurement date	<u>516,713</u>	<u>1,806,925</u>	<u>2,323,638</u>
Total deferred outflows of resources	<u>\$ 1,038,612</u>	<u>\$ 7,052,845</u>	<u>\$ 8,091,457</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 161,940	\$ 161,940
Net difference between projected and actual earnings on pension plan investments	180,540	1,503,670	1,684,210
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>117,615</u>	<u>110,544</u>	<u>228,159</u>
Total deferred inflows of resources	<u>\$ 298,155</u>	<u>\$ 1,776,154</u>	<u>\$ 2,074,309</u>

\$2,323,638 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ 424,488	\$ 2,194,517	\$ 2,619,005
2021	68,463	1,497,671	1,566,134
2022	(213,838)	126,907	(86,931)
2023	<u>(55,369)</u>	<u>(349,329)</u>	<u>(404,698)</u>
Total	<u>\$ 223,744</u>	<u>\$ 3,469,766</u>	<u>\$ 3,693,510</u>

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, 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% of male rates, and 110% of female rates. Mortality among disabled members was based upon the 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.

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:

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - 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	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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%). 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%, 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%), or one percentage point higher (8.50%) 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	\$ 9,178,361	\$ 6,516,059	\$ 4,283,898

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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	<u>100.00 %</u>	

*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.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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%, 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%) or one-percentage-point higher (8.45%) 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	\$ 36,212,886	\$ 24,797,091	\$ 15,135,168

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset 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/asset 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/asset 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/asset. Resulting adjustments to the net OPEB liability/asset 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* or *net OPEB asset* 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED OPEB PLANS - (Continued)

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.

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$68,921.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$88,059 for fiscal year 2019. Of this amount, \$69,700 is reported as intergovernmental payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED OPEB PLANS - (Continued)

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% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.11516320%	0.11339407%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.11525110%</u>	<u>0.11277682%</u>	
Change in proportionate share	<u>0.00008790%</u>	<u>-0.00061725%</u>	
Proportionate share of the net OPEB liability	\$ 3,197,377	\$ -	\$ 3,197,377
Proportionate share of the net OPEB asset	\$ -	\$ (1,812,208)	\$ (1,812,208)
OPEB expense	\$ 123,528	\$ (3,932,780)	\$ (3,809,252)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 52,193	\$ 211,669	\$ 263,862
Difference between employer contributions and proportionate share of contributions/change in proportionate share	-	7,599	7,599
Contributions subsequent to the measurement date	88,059	-	88,059
Total deferred outflows of resources	<u>\$ 140,252</u>	<u>\$ 219,268</u>	<u>\$ 359,520</u>
	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 105,585	\$ 105,585
Net difference between projected and actual earnings on pension plan investments	4,797	207,029	211,826
Changes of assumptions	287,262	2,469,278	2,756,540
Difference between employer contributions and proportionate share of contributions/change in proportionate share	78,725	21,997	100,722
Total deferred inflows of resources	<u>\$ 370,784</u>	<u>\$ 2,803,889</u>	<u>\$ 3,174,673</u>

\$88,059 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/asset in the year ending June 30, 2020. 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:			
2020	\$ (151,221)	\$ (462,314)	\$ (613,535)
2021	(118,671)	(462,314)	(580,985)
2022	(15,587)	(462,314)	(477,901)
2023	(13,545)	(415,295)	(428,840)
2024	(13,876)	(398,804)	(412,680)
Thereafter	(5,691)	(383,580)	(389,271)
Total	<u>\$ (318,591)</u>	<u>\$ (2,584,621)</u>	<u>\$ (2,903,212)</u>

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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED OPEB PLANS - (Continued)

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. 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 (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.70%)</u>	<u>Current Discount Rate (3.70%)</u>	<u>1% Increase (4.70%)</u>
District's proportionate share of the net OPEB liability	\$ 3,879,765	\$ 3,197,377	\$ 2,657,053

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED OPEB PLANS - (Continued)

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 2,579,697	\$ 3,197,377	\$ 4,015,296

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED OPEB PLANS - (Continued)

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 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	<u>100.00 %</u>	

*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.** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset 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.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED OPEB PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 1,553,232	\$ 1,812,208	\$ 2,029,865
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 2,017,578	\$ 1,812,208	\$ 1,603,639

NOTE 14 - 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 15 - 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, 2019:

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Amount</u>
Buildings and Contents - Replacement Costs	\$ 87,595,739
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.

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 \$333,879 reported in the internal service fund at June 30, 2019 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 2019 was:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2019	\$ 296,198	\$ 3,027,331	\$ 2,989,650	\$ 333,879
2018	194,743	2,393,051	2,291,596	296,198

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2019, the District participated in the Sheakley UniServe Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Under the GRP, the participating districts continues to pay their own individual premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating districts receive either a premium refund or an assessment. The participating districts pay an experience- or base-rated premium under the same terms as if they were not in a retrospective group. The group-retrospective premiums are recalculated twelve months after the end of the policy year and the recalculated premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, the participating districts receive a refund. If the retrospective premium is higher than the standard premium, the participating districts are charged an assessment. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the GRP.

NOTE 16 - 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);
- (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).

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General fund</u>
Budget basis	\$ (2,417,470)
Net adjustment for revenue accruals	295,750
Net adjustment for expenditure accruals	(201,886)
Net adjustment for other sources/uses	133,278
Funds budgeted elsewhere *	6,379
Adjustment for encumbrances	1,275,468
GAAP basis	\$ (908,481)

*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 17 - 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current fiscal year set-aside requirement	417,326
Current fiscal year offsets	(376,066)
Prior year offset from bond proceeds	(41,260)
Total	\$ -
Balance carried forward to fiscal year 2020	\$ -
Set-aside balance June 30, 2019	\$ -

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 17 - SET-ASIDES - (Continued)

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 18 - 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:

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General	\$ 1,249,751
Building	1,063,780
Classroom facilities	1,309,209
Other governmental	<u>108,683</u>
Total	<u>\$ 3,731,423</u>

NOTE 19 - 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, 2019, if applicable, cannot be determined at this time.

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

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 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 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.

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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 SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.11377420%	0.11375570%	0.11754120%	0.11905320%
District's proportionate share of the net pension liability	\$ 6,516,059	\$ 6,796,652	\$ 8,602,931	\$ 6,793,291
District's covered payroll	\$ 3,806,326	\$ 3,663,236	\$ 3,009,090	\$ 2,847,473
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.19%	185.54%	285.90%	238.57%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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

<u>2015</u>	<u>2014</u>
0.12394500%	0.12394500%
\$ 6,272,786	\$ 7,370,364
\$ 2,799,257	\$ 2,846,575
224.09%	258.92%
71.70%	65.52%

**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 SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.11277682%	0.11339407%	0.11319513%	0.11113764%
District's proportionate share of the net pension liability	\$ 24,797,091	\$ 26,937,004	\$ 37,889,822	\$ 30,715,193
District's covered payroll	\$ 12,996,721	\$ 12,441,293	\$ 12,174,936	\$ 11,797,393
District's proportionate share of the net pension liability as a percentage of its covered payroll	190.79%	216.51%	311.21%	260.36%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

<u>2015</u>	<u>2014</u>
0.11015718%	0.11015718%
\$ 26,794,038	\$ 31,916,200
\$ 11,506,985	\$ 11,650,538
232.85%	273.95%
74.70%	69.30%

**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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 516,713	\$ 513,854	\$ 512,853	\$ 396,598
Contributions in relation to the contractually required contribution	<u>(516,713)</u>	<u>(513,854)</u>	<u>(512,853)</u>	<u>(396,598)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,827,504	\$ 3,806,326	\$ 3,663,236	\$ 3,009,090
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 390,958	\$ 387,977	\$ 393,966	\$ 395,994	\$ 366,516	\$ 385,856
<u>(390,958)</u>	<u>(387,977)</u>	<u>(393,966)</u>	<u>(395,994)</u>	<u>(366,516)</u>	<u>(385,856)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,847,473	\$ 2,799,257	\$ 2,846,575	\$ 2,944,193	\$ 2,915,800	\$ 2,849,749
13.73%	13.86%	13.84%	13.45%	12.57%	13.54%

**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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,806,925	\$ 1,819,541	\$ 1,741,781	\$ 1,704,491
Contributions in relation to the contractually required contribution	<u>(1,806,925)</u>	<u>(1,819,541)</u>	<u>(1,741,781)</u>	<u>(1,704,491)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,906,607	\$ 12,996,721	\$ 12,441,293	\$ 12,174,936
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,651,635	\$ 1,495,908	\$ 1,514,570	\$ 1,699,709	\$ 1,657,788	\$ 1,634,856
<u>(1,651,635)</u>	<u>(1,495,908)</u>	<u>(1,514,570)</u>	<u>(1,699,709)</u>	<u>(1,657,788)</u>	<u>(1,634,856)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,797,393	\$ 11,506,985	\$ 11,650,538	\$ 13,074,685	\$ 12,752,215	\$ 12,575,815
14.00%	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 THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.11525110%	0.11516320%	0.11855788%
District's proportionate share of the net OPEB liability	\$ 3,197,377	\$ 3,090,678	\$ 3,379,338
District's covered payroll	\$ 3,806,326	\$ 3,663,236	\$ 3,009,090
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	84.00%	84.37%	112.30%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	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/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.11277682%	0.11339407%	0.11319513%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,812,208)	\$ 4,424,218	\$ 6,053,705
District's covered payroll	\$ 12,996,721	\$ 12,441,293	\$ 12,174,936
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.94%	35.56%	49.72%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	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

	2019	2018	2017	2016
Contractually required contribution	\$ 88,059	\$ 80,528	\$ 61,506	\$ 20,963
Contributions in relation to the contractually required contribution	(88,059)	(80,528)	(61,506)	(20,963)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,827,504	\$ 3,806,326	\$ 3,663,236	\$ 3,009,090
Contributions as a percentage of covered payroll	2.30%	2.12%	1.68%	0.70%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 20,665	\$ 64,186	\$ 65,017	\$ 71,654	\$ 18,872	\$ 19,868
<u>(20,665)</u>	<u>(64,186)</u>	<u>(65,017)</u>	<u>(71,654)</u>	<u>(18,872)</u>	<u>(19,868)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,847,473	\$ 2,799,257	\$ 2,846,575	\$ 2,944,193	\$ 2,915,800	\$ 2,849,749
0.73%	2.29%	2.28%	2.43%	0.65%	0.70%

**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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,906,607	\$ 12,996,721	\$ 12,441,293	\$ 12,174,936
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 115,070	\$ 116,505	\$ 130,747	\$ 90,970	\$ 64,647
-	(115,070)	(116,505)	(130,747)	(90,970)	(64,647)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,797,393	\$ 11,506,985	\$ 11,650,538	\$ 13,074,685	\$ 12,752,215	\$ 12,575,815
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

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 years 2018-2019.

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. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

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. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 previously reported for fiscal years 2017-2019.

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 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously 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. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

**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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2019. We noted the District implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

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 Standards*.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Tallmadge, Ohio
December 10, 2019

**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, 2019. 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, 2019.

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
December 10, 2019

**TALLMADGE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
2 CFR SECTION 200.515
June 30, 2019**

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:	Title VI-B, CFDA #84.027
(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 RPeported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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	75,090	-	75,090	-	
National School Lunch Program	n/a	10.555	232,405	53,875	232,405	53,875	
Total Nutrition Cluster			307,495	53,875	307,495	53,875	
Total U.S. Department of Agriculture			307,495	53,875	307,495	53,875	
U.S. DEPARTMENT OF EDUCATION:							
Pass through Ohio Department of Education							
Title I Educationally Deprived Children							
	4488-3M00-2018	84.010	963	-	1,787	-	
	4488-3M00-2018		86,955	-	97,760	-	
	4488-3M00-2019		12,887	-	12,970	-	
	4488-3M00-2019		275,229	-	316,404	-	
			376,034	-	428,921	-	
Title VI-B Special Education Assistance							
	4488-3M20-2018	84.027	144,542	-	153,543	-	
	4488-3M20-2019		337,647	-	500,438	-	
			482,189	-	653,981	-	
Supporting Effective Instruction							
	4488-3Y60-2018	84.367	8,601	-	9,697	-	
	4488-3Y60-2019		46,085	-	52,277	-	
			54,686	-	61,974	-	
Career and Technical Education Basic State Grant							
	4488-3190-2019	84.048	2,800	-	-	-	
			2,800	-	-	-	
Title IV Student Support & Enrichment							
	4488-3H10-2018	84.424	3,347	-	4,447	-	
	4488-3H10-2019		7,054	-	18,520	-	
			10,401	-	22,967	-	
Total U.S. Department of Education			926,110	-	1,167,843	-	
Total Federal Awards Expenditures			1,233,605	53,875	1,475,338	53,875	

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.

OHIO AUDITOR OF STATE
KEITH FABER



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 28, 2020**