



Dave Yost • Auditor of State

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2017**

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TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2017

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The management's discussion and analysis of Tallmadge School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows:

- Net position of governmental activities increased \$10,130,887, which represents a 68.88 percent increase from 2016.
- General revenues accounted for \$40,022,790 in revenue or 89.10 percent of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,897,871 or 10.90 percent of total governmental activities revenues of \$44,920,661.
- The District had \$34,789,774 in expenses related to governmental activities, \$4,897,871 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 \$40,022,790 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 \$25,189,293 in revenues and \$28,387,798 in expenditures and other financing uses. The fund balance of the general fund decreased \$3,198,505 from a balance of \$6,134,245 to \$2,935,740.
- The bond retirement fund had \$34,942,915 in revenues and other financing sources and \$34,005,359 in expenditures. The fund balance of the bond retirement fund increased \$937,556 from \$1,003,961 to \$1,941,517.
- The building fund had \$7,207,777 in revenues and other financing sources and \$81 in expenditures. The fund balance of the building fund increased \$7,207,696 from \$1,418,969 to \$8,626,665.
- The classroom facilities fund had \$31,236,952 in revenues and other financing sources and \$603,586 in expenditures. The fund balance of the classroom facilities fund increased from a zero balance to \$30,633,366.
- The District entered into an agreement with the Ohio School Facilities Commission (OSFC) during fiscal year 2017 to participate in the Classroom Facilities Assistance Program (CFAP). The classroom facilities fund accounts for the construction project.

Using the Financial Report

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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 2017?" 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 14 - 15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 16 - 23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Proprietary Fund

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28 - 69 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 in this report on pages 70 - 76.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

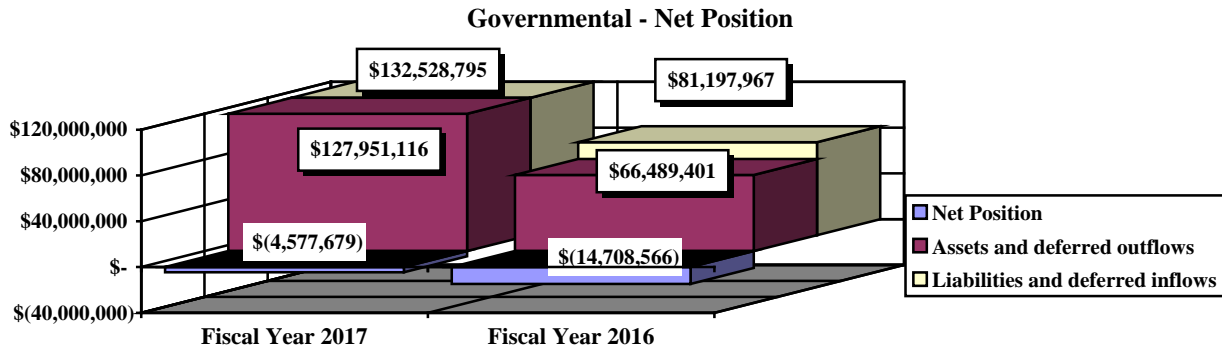
The District as a Whole

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, 2017 and June 30, 2016.

Net Position

	Governmental Activities	
	2017	2016
<u>Assets</u>		
Current assets	\$ 81,220,221	\$ 26,134,303
Capital assets, net	<u>36,058,681</u>	<u>36,029,105</u>
Total assets	<u>117,278,902</u>	<u>62,163,408</u>
<u>Deferred outflows of resources</u>	<u>10,672,214</u>	<u>4,325,993</u>
<u>Liabilities</u>		
Current liabilities	4,785,572	3,350,863
Long-term liabilities:		
Due within one year	2,434,849	1,287,860
Due in more than one year:		
Net pension liability	46,492,753	37,508,484
Other amounts	<u>62,801,619</u>	<u>23,612,003</u>
Total liabilities	<u>116,514,793</u>	<u>65,759,210</u>
<u>Deferred inflows of resources</u>	<u>16,014,002</u>	<u>15,438,757</u>
<u>Net Position</u>		
Net investment in capital assets	13,106,965	14,437,301
Restricted	17,777,333	2,888,925
Unrestricted (deficit)	<u>(35,461,977)</u>	<u>(32,034,792)</u>
Total net position (deficit)	<u>\$ (4,577,679)</u>	<u>\$ (14,708,566)</u>

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 2017 and 2016.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The table below shows the changes in net position for governmental activities between 2017 and 2016.

Change in Net Position

	Governmental Activities	
	2017	2016
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,296,328	\$ 1,270,960
Operating grants and contributions	3,454,031	1,424,737
Capital grants and contributions	147,512	311,606
General revenues:		
Property taxes	15,456,404	15,814,366
Grants and entitlements - not restricted	10,168,646	11,752,279
Grants and entitlements - restricted for OSFC	14,271,619	-
Investment earnings	43,976	4,360
Miscellaneous	82,145	417,981
Total revenues	44,920,661	30,996,289

In the area of program revenues, operating grants and contributions increased \$2,029,294, which is primarily attributable to an increase state and federal funding received during fiscal year 2017 that is restricted to specific programs.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 57.05 percent of total governmental revenue. Real estate property is reappraised every six years. Unrestricted grants and entitlements decreased as a result of amounts received from state foundation for restricted programs being reported in program revenues, rather than unrestricted grants and entitlements for fiscal year 2017. During fiscal year 2017, the District recognized grants and entitlements restricted for the OSFC for the state portion of the CFAP construction project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Governmental Activities	
	2017	2016
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 15,008,872	\$ 13,574,137
Special	3,832,220	2,988,330
Vocational	1,009,445	868,557
Adult/continuing	80,621	74,686
Support services:		
Pupil	1,597,432	1,341,255
Instructional staff	546,853	286,200
Board of education	32,669	31,142
Administration	2,198,951	2,060,125
Fiscal	841,343	848,257
Business	160,804	118,754
Operations and maintenance	2,095,136	1,847,497
Pupil transportation	2,283,120	1,992,796
Central	508,015	441,899
Operation of non-instructional services	1,018,781	986,991
Extracurricular activities	1,178,328	1,056,043
Interest and fiscal charges	2,397,184	712,316
Total expenses	34,789,774	29,228,985
Changes in net position	10,130,887	1,767,304
Net position (deficit) at beginning of year	(14,708,566)	(16,475,870)
Net position (deficit) at end of year	\$ (4,577,679)	\$ (14,708,566)

Governmental Activities

Net position of the District's governmental activities increased \$10,130,887. This increase is primarily attributable to recognizing \$14,271,619 in restricted grants and entitlements from the OSFC as revenue during fiscal year 2017.

Total governmental expenses of \$34,789,774 were offset by program revenues of \$4,897,871 and general revenues of \$40,022,790. Program revenues supported 14.08 percent of the total governmental expenses. Expenses increased overall due to an increase in the net pension liability.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$19,931,158 or 57.29 percent of total governmental expenses for fiscal year 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

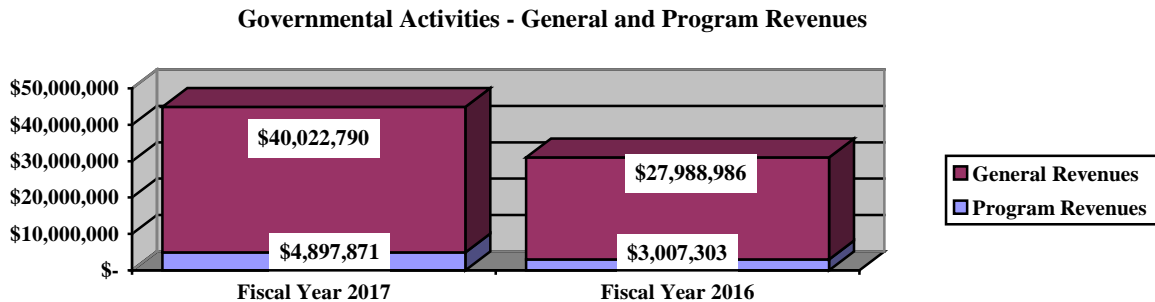
The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses:				
Instruction:				
Regular	\$ 15,008,872	\$ 14,518,008	\$ 13,574,137	\$ 13,233,345
Special	3,832,220	1,977,024	2,988,330	2,327,455
Vocational	1,009,445	796,893	868,557	857,093
Adult/continuing	80,621	27,859	74,686	(1,934)
Support services:				
Pupil	1,597,432	1,545,125	1,341,255	1,279,459
Instructional staff	546,853	440,633	286,200	265,045
Board of Education	32,669	32,669	31,142	30,656
Administration	2,198,951	2,083,850	2,060,125	1,857,532
Fiscal	841,343	834,429	848,257	581,431
Business	160,804	160,804	118,754	116,521
Operations and maintenance	2,095,136	2,018,353	1,847,497	1,801,656
Pupil transportation	2,283,120	1,629,790	1,992,796	1,863,965
Central	508,015	508,015	441,899	435,862
Operation of non-instructional services	1,018,781	61,128	986,991	95,141
Extracurricular activities	1,178,328	860,139	1,056,043	766,139
Interest and fiscal charges	<u>2,397,184</u>	<u>2,397,184</u>	<u>712,316</u>	<u>712,316</u>
Total expenses	<u>\$ 34,789,774</u>	<u>\$ 29,891,903</u>	<u>\$ 29,228,985</u>	<u>\$ 26,221,682</u>

The dependence upon tax revenues during fiscal year 2017 for governmental activities is apparent, as 86.90 percent of fiscal year 2017 instructional activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on pages 16 - 17) reported a combined fund balance of \$44,257,999, which is above last year's total of \$8,636,114. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Change</u>
General	\$ 2,935,740	\$ 6,134,245	\$ (3,198,505)
Bond Retirement	1,941,517	1,003,961	937,556
Building	8,626,665	1,418,969	7,207,696
Classroom Facilities	30,633,366	-	30,633,366
Other Governmental	<u>120,711</u>	<u>78,939</u>	<u>41,772</u>
Total	<u>\$ 44,257,999</u>	<u>\$ 8,636,114</u>	<u>\$ 35,621,885</u>

General Fund

The District's general fund balance decreased \$3,198,505 during fiscal year 2017. The following table assists in illustrating the revenues of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 12,661,943	\$ 14,175,011	(10.67) %
Intergovernmental	11,787,818	11,760,223	0.23 %
Other revenues	<u>739,532</u>	<u>925,128</u>	(20.06) %
Total	<u>\$ 25,189,293</u>	<u>\$ 26,860,362</u>	(6.22) %

Revenues of the general fund decreased \$1,671,069 or 6.22%. The most significant increase was in the area of tax revenue. The decrease in property tax revenue for fiscal year 2017 resulted from fluctuations in the amount of tax advance available from the County Fiscal Officers at fiscal year-end. For the general fund, the tax advance available for the fiscal years ended June 30, 2017, 2016, and 2015 were \$1,510,199, \$2,986,634, and \$2,967,544, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Summit and Portage counties. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting. The decrease in other revenues was due to a decrease in miscellaneous revenues.

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures			
Instruction	\$ 17,853,931	\$ 16,683,851	7.01 %
Support services	9,652,321	9,122,937	5.80 %
Operation of non-instructional	60,230	136,881	(56.00) %
Extracurricular activities	818,548	850,989	(3.81) %
Capital outlay	<u>-</u>	<u>228,499</u>	(100.00) %
Total	<u>\$ 28,385,030</u>	<u>\$ 27,023,157</u>	5.04 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The increase in instruction and support services expenditures was primarily related to costs associated with annual increases in salaries, wages and benefits. The District's general fund spent less on shared support services during fiscal year 2017, which caused operation of non-instructional expenditures to decrease. The District's general fund spent less on capital assets during fiscal year 2017, which caused capital outlay to decrease.

Bond Retirement Fund

The bond retirement fund had \$34,942,915 in revenues and other financing sources and \$34,005,359 in expenditures. The fund balance of the bond retirement fund increased \$937,556 from \$1,003,961 to \$1,941,517. The bond retirement fund accounted for the proceeds of school facilities and improvements bonds that were used to retire the Series 2016 and 2017 bond anticipation notes that were issued during fiscal year 2017.

Building Fund

The building fund had \$7,207,777 in revenues and other financing sources and \$81 in expenditures. The fund balance of the building fund increased \$7,207,696 from \$1,418,969 to \$8,626,665. The building fund received bond and note proceeds of \$6,660,000 and \$540,000 to finance athletic facility improvements.

Classroom Facilities Fund

The classroom facilities fund was established during fiscal year 2017 to account for the District's CFAP construction project with the OSFC. The classroom facilities fund received \$31,195,000 in bond anticipation note proceeds to finance local share of the OSFC CFAP project. The state share of the project, \$14,271,619, has been reported as a receivable at June 30, 2017. The District will draw down on the state funds over the duration of the project.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, 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 \$26,543,930. Actual revenues and other financing sources of \$26,439,084 were \$32,332 higher than final budgeted revenues of \$26,406,752.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$28,484,472 and final appropriations were \$29,203,813. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$28,573,721, which was \$630,092 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District had \$36,058,681 invested in land, buildings and improvements, furniture and equipment, vehicles and construction in progress. The following table shows fiscal year 2017 balances compared to 2016:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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

	Governmental Activities	
	2017	2016
Land	\$ 3,354,650	\$ 3,354,650
Buildings and improvements	31,396,676	31,893,331
Furniture and equipment	654,115	717,337
Vehicles	58,466	63,787
Construction in progress	594,774	-
Total	\$ 36,058,681	\$ 36,029,105

The District had additions of \$749,172 and depreciation expense of \$719,596 in fiscal year 2017.

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

Debt Administration

At June 30, 2017 and June 30, 2016, the District had \$59,204,982 and \$21,564,482 in general obligation bonds outstanding, respectively. Of the total outstanding debt at June 30, 2017, \$2,277,917 is due within one year and \$56,927,065 is due in greater than one year.

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

Current Issues Affecting Financial Condition

With the passage of the renewal, of the November 2009, 6.9 mill emergency levy in 2013 for a 10-year period, and the 3rd renewal, also for 10 years, in November 2015 of the operating levy originally passed in 2001, the District reaffirmed its support from the community. The District also renewed its 1.25 mill permanent improvement levy in November 2015 for a continuing period. However, fiscal year 2016 expenditures began to outpace revenue, and that trend continued in fiscal year 2017. Once that happens, a district needs to either find additional revenue or institute a series of cuts. Tallmadge City Schools wants to maintain its excellent education and service to its students. And, having experienced a series of cuts in its state funding the district is not counting on additional state revenue. Therefore, we anticipate placing an operating levy on the ballot in November of 2018. We have started our information campaign to inform and involve the community in this effort.

In an effort to complete the District's master plan with the OSFC the District reached out to the community in order to facilitate the sharing of ideas of what the District's facility needs are and how best to meet those needs from a building and location standpoint. The outcome of those meetings resulted in a change to the master plan. The new plan is to build a new K-5 building (combining 2 existing elementary schools) and a new 6-8 middle school on the current middle school site, raising the current 6-8 middle school (old high school) building. The other plan which came out of those community meetings was to relocate and build a new athletic stadium and relocate the baseball and softball fields to the new high school site. This resulted in the District placing two separate bond issues on the November 2016 ballot. The first issue for the new buildings was a 3.86 mill bond issue, and the second was a .9 mill bond issue. Both issues passed. The District is now in the first phase of construction of the new elementary and middle school buildings. We anticipate the opening of the new middle school in August of 2019, and the new elementary school in December of 2019. Also, the summer and fall of 2019 will mark the completion and opening of the new high school stadium and athletic complex.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

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.

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 48,715,120
Receivables:	
Property taxes	17,979,980
Accounts.	850
Intergovernmental	14,516,253
Inventory held for resale	8,018
Capital assets:	
Nondepreciable capital assets	3,949,424
Depreciable capital assets, net.	32,109,257
Capital assets, net	36,058,681
Total assets.	117,278,902
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,811,770
Pension - STRS	6,927,261
Pension - SERS	1,933,183
Total deferred outflows of resources	10,672,214
Liabilities:	
Accounts payable.	207,827
Contracts payable.	594,774
Accrued wages and benefits payable	2,645,681
Matured compensated absences payable	397,346
Intergovernmental payable	439,215
Accrued interest payable	305,986
Claims payable.	194,743
Long-term liabilities:	
Due within one year.	2,434,849
Due in more than one year:	
Net pension liability.	46,492,753
Other amounts due in more than one year.	62,801,619
Total liabilities	116,514,793
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	16,014,002
Net position:	
Net investment in capital assets	13,106,965
Restricted for:	
Debt service	1,046,093
Capital projects	16,370,112
Extracurricular	126,906
Non-public schools.	77,963
Federally funded programs.	88,949
Other purposes.	67,310
Unrestricted (deficit)	(35,461,977)
Total net position	\$ (4,577,679)

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, 2017

	<u>Program Revenues</u>			<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Instruction:					
Regular	\$ 15,008,872	\$ 263,802	\$ 87,327	\$ 139,735	\$ (14,518,008)
Special	3,832,220	-	1,855,196	-	(1,977,024)
Vocational	1,009,445	-	212,552	-	(796,893)
Adult/continuing	80,621	-	52,762	-	(27,859)
Support services:					
Pupil	1,597,432	7,750	44,557	-	(1,545,125)
Instructional staff	546,853	-	106,220	-	(440,633)
Board of education	32,669	-	-	-	(32,669)
Administration	2,198,951	115,101	-	-	(2,083,850)
Fiscal	841,343	-	6,914	-	(834,429)
Business	160,804	-	-	-	(160,804)
Operations and maintenance	2,095,136	64,416	12,367	-	(2,018,353)
Pupil transportation	2,283,120	86,631	566,699	-	(1,629,790)
Central	508,015	-	-	-	(508,015)
Other non-instructional services	82,792	-	118,181	-	35,389
Food service operations	935,989	450,417	389,055	-	(96,517)
Extracurricular activities	1,178,328	308,211	2,201	7,777	(860,139)
Interest and fiscal charges	2,397,184	-	-	-	(2,397,184)
Total governmental activities	\$ 34,789,774	\$ 1,296,328	\$ 3,454,031	\$ 147,512	(29,891,903)

General revenues:

Property taxes levied for:	
General purposes	12,636,865
Debt service	2,534,201
Capital outlay	285,338
Grants and entitlements not restricted to specific programs	10,168,646
Grants and entitlements restricted for Ohio School Facilities Commission	14,271,619
Investment earnings	43,976
Miscellaneous	82,145
Total general revenues	40,022,790
Change in net position	10,130,887
Net position (deficit) at beginning of year	(14,708,566)
Net position (deficit) at end of year	\$ (4,577,679)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ 4,665,623	\$ 1,632,056	\$ 8,626,665	\$ 31,228,140	\$ 412,964	\$ 46,565,448
Receivables:						
Property taxes	14,213,287	3,442,743	-	-	323,950	17,979,980
Accounts	100	-	-	-	750	850
Intergovernmental	135,630	-	-	14,271,619	109,004	14,516,253
Inventory held for resale	-	-	-	-	8,018	8,018
Due from other funds	178,424	-	-	-	-	178,424
Total assets	<u>\$19,193,064</u>	<u>\$5,074,799</u>	<u>\$8,626,665</u>	<u>\$45,499,759</u>	<u>\$ 854,686</u>	<u>\$ 79,248,973</u>
Liabilities:						
Accounts payable	171,009	-	-	-	36,818	207,827
Contracts payable	-	-	-	594,774	-	594,774
Accrued wages and benefits payable	2,512,567	-	-	-	133,114	2,645,681
Matured compensated absences payable	397,346	-	-	-	-	397,346
Intergovernmental payable	415,880	-	-	-	23,335	439,215
Due to other funds	-	-	-	-	178,424	178,424
Total liabilities	<u>3,496,802</u>	<u>-</u>	<u>-</u>	<u>594,774</u>	<u>371,691</u>	<u>4,463,267</u>
Deferred inflows of resources:						
Property taxes levied for the next fiscal year	12,610,665	3,118,204	-	-	285,133	16,014,002
Delinquent property tax revenue not available	92,423	15,078	-	-	1,908	109,409
Intergovernmental revenue not available	57,434	-	-	14,271,619	75,243	14,404,296
Total deferred inflows of resources	<u>12,760,522</u>	<u>3,133,282</u>	<u>-</u>	<u>14,271,619</u>	<u>362,284</u>	<u>30,527,707</u>
Fund balances:						
Nonspendable:						
Unclaimed monies	197	-	-	-	-	197
Restricted:						
Debt service	-	1,941,517	-	-	-	1,941,517
Capital improvements	-	-	8,626,665	30,633,366	96,780	39,356,811
Extracurricular	-	-	-	-	126,906	126,906
Non-public schools	-	-	-	-	77,963	77,963
Federally funded programs	-	-	-	-	13,706	13,706
Other purposes	-	-	-	-	67,310	67,310
Committed:						
Underground storage tank	16,179	-	-	-	-	16,179
Assigned:						
Student instruction	125,336	-	-	-	-	125,336
Student and staff support	746,478	-	-	-	-	746,478
Extracurricular activities	8,393	-	-	-	-	8,393
Subsequent year's appropriations	2,017,866	-	-	-	-	2,017,866
School supplies	9,681	-	-	-	-	9,681
Other purposes	11,610	-	-	-	-	11,610
Unassigned	-	-	-	-	(261,954)	(261,954)
Total fund balances	<u>2,935,740</u>	<u>1,941,517</u>	<u>8,626,665</u>	<u>30,633,366</u>	<u>120,711</u>	<u>44,257,999</u>
Total liabilities, deferred inflows and fund balances	<u>\$19,193,064</u>	<u>\$5,074,799</u>	<u>\$8,626,665</u>	<u>\$45,499,759</u>	<u>\$ 854,686</u>	<u>\$ 79,248,973</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, 2017

Total governmental fund balances		\$ 44,257,999
<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.		36,058,681
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	\$ 109,409	
Intergovernmental receivable	14,404,296	
Total	14,513,705	14,513,705
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.		1,954,929
Unamortized deferred charges on refundings are not recognized in the funds.		1,811,770
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(305,986)
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	8,860,444	
Net pension liability	(46,492,753)	
Total	(37,632,309)	(37,632,309)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(57,130,000)	
Capital appreciation bonds	(1,164,480)	
Accretion of interest - capital appreciation bonds	(910,502)	
Unamortized bond premium	(3,149,026)	
Compensated absences	(2,882,460)	
Total	(65,236,468)	(65,236,468)
Net position (deficit) of governmental activities		\$ (4,577,679)

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, 2017

	<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	\$ 12,661,943	\$ 2,529,062	\$ -	\$ -	\$ 285,932	\$ 15,476,937
Tuition	188,096	-	-	-	-	188,096
Earnings on investments	41,499	-	5,599	54,353	-	101,451
Charges for services	-	-	-	-	454,314	454,314
Extracurricular	291,567	-	-	-	226,126	517,693
Classroom materials and fees	75,706	-	-	-	-	75,706
Rental income	60,519	-	-	-	-	60,519
Contributions and donations	-	-	-	-	89,316	89,316
Other local revenues	82,145	-	-	-	-	82,145
Intergovernmental - state	11,787,818	283,055	-	-	165,431	12,236,304
Intergovernmental - federal	-	-	-	-	1,338,423	1,338,423
Change in fair value of investments	-	-	2,178	85,382	-	87,560
Total revenues	<u>25,189,293</u>	<u>2,812,117</u>	<u>7,777</u>	<u>139,735</u>	<u>2,559,542</u>	<u>30,708,464</u>
Expenditures:						
Current:						
Instruction:						
Regular	13,899,642	-	-	-	93,501	13,993,143
Special	2,976,919	-	-	-	691,217	3,668,136
Vocational	964,789	-	-	-	-	964,789
Adult/continuing	12,581	-	-	-	68,040	80,621
Support services:						
Pupil	1,510,145	-	-	-	45,131	1,555,276
Instructional staff	410,169	-	-	-	109,492	519,661
Board of education	33,469	-	-	-	-	33,469
Administration	2,030,683	-	-	-	24,275	2,054,958
Fiscal	768,673	43,416	81	4,862	9,749	826,781
Business	150,433	-	-	-	-	150,433
Operations and maintenance	1,953,216	-	-	-	16,342	1,969,558
Pupil transportation	2,280,250	-	-	-	-	2,280,250
Central	515,283	-	-	3,950	-	519,233
Other non-instructional services	60,230	-	-	-	75,951	136,181
Food service operations	-	-	-	-	848,491	848,491
Extracurricular activities	818,548	-	-	-	231,265	1,049,813
Facilities acquisition and construction	-	-	-	594,774	307,084	901,858
Debt service:						
Principal retirement	-	32,718,634	-	-	-	32,718,634
Interest and fiscal charges	-	898,893	-	-	-	898,893
Bond issuance costs	-	344,416	-	-	-	344,416
Total expenditures	<u>28,385,030</u>	<u>34,005,359</u>	<u>81</u>	<u>603,586</u>	<u>2,520,538</u>	<u>65,514,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,195,737)</u>	<u>(31,193,242)</u>	<u>7,696</u>	<u>(463,851)</u>	<u>39,004</u>	<u>(34,806,130)</u>
Other financing sources (uses):						
Premium on bonds and notes sold	-	935,798	-	48,583	-	984,381
Sale of bonds	-	31,195,000	6,660,000	-	-	37,855,000
Sale of notes	-	-	540,000	31,048,634	-	31,588,634
Transfers in	-	-	-	-	2,768	2,768
Transfers (out)	(2,768)	-	-	-	-	(2,768)
Total other financing sources (uses)	<u>(2,768)</u>	<u>32,130,798</u>	<u>7,200,000</u>	<u>31,097,217</u>	<u>2,768</u>	<u>70,428,015</u>
Net change in fund balances	(3,198,505)	937,556	7,207,696	30,633,366	41,772	35,621,885
Fund balances at beginning of year	6,134,245	1,003,961	1,418,969	-	78,939	8,636,114
Fund balances at end of year	<u>\$ 2,935,740</u>	<u>\$ 1,941,517</u>	<u>\$ 8,626,665</u>	<u>\$ 30,633,366</u>	<u>\$ 120,711</u>	<u>\$ 44,257,999</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, 2017

Net change in fund balances - total governmental funds \$ 35,621,885

Amounts reported for governmental activities in the statement of activities because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 749,172	
Current year depreciation	(719,596)	
Total		29,576

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

Property taxes	(20,533)	
Intergovernmental	14,230,253	
Total		14,209,720

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.

Bond anticipation notes	31,588,634	
General obligation bonds	1,130,000	
Total		32,718,634

The issuances of debt obligations 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.

Bond anticipation notes	(31,588,634)	
General obligation bonds	(37,855,000)	
Total		(69,443,634)

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.

(984,381)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:

Increase in accrued interest payable	(305,986)	
Accretion of interest on capital appreciation bonds	(915,500)	
Amortization of bond premiums	(1,792,742)	
Amortization of note premium	48,583	
Amortization of deferred charges on refunding	1,811,770	
Total		(1,153,875)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.

2,254,634

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.

(4,307,823)

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.

\$ 89,869

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

1,096,282

Change in net position of governmental activities **\$ 10,130,887**

**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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 14,194,445	\$ 14,121,088	\$ 14,138,378	\$ 17,290
Tuition	188,842	187,866	188,096	230
Earnings on investments	41,664	41,448	41,499	51
Extracurricular	42,148	41,931	41,982	51
Rental income	60,759	60,445	60,519	74
Other local revenues	82,858	82,430	82,531	101
Intergovernmental - state	11,692,164	11,631,740	11,645,981	14,241
Total revenues	<u>26,302,880</u>	<u>26,166,948</u>	<u>26,198,986</u>	<u>32,038</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,114,575	13,650,485	13,355,962	294,523
Special	2,583,521	2,974,932	2,910,747	64,185
Vocational	894,841	964,846	944,029	20,817
Adult/continuing	7,357	12,858	12,581	277
Support services:				
Pupil	1,468,396	1,547,902	1,514,505	33,397
Instructional staff	342,681	409,357	400,525	8,832
Board of education	39,705	36,592	35,803	789
Administration	1,902,234	2,021,180	1,977,572	43,608
Fiscal	884,515	838,378	820,290	18,088
Business	176,773	163,614	160,084	3,530
Operations and maintenance	2,404,801	2,500,014	2,446,075	53,939
Pupil transportation	2,100,644	2,465,273	2,412,084	53,189
Central	521,802	580,655	568,127	12,528
Other operation of non-instructional services	155,949	76,944	75,284	1,660
Extracurricular activities	884,811	845,528	827,285	18,243
Total expenditures	<u>28,482,605</u>	<u>29,088,558</u>	<u>28,460,953</u>	<u>627,605</u>
Excess of expenditures over revenues	<u>(2,179,725)</u>	<u>(2,921,610)</u>	<u>(2,261,967)</u>	<u>659,643</u>
Other financing sources (uses):				
Refund of prior year's expenditures	241,050	239,804	240,098	294
Transfers (out)	(1,867)	(115,255)	(112,768)	2,487
Total other financing sources (uses)	<u>239,183</u>	<u>124,549</u>	<u>127,330</u>	<u>2,781</u>
Net change in fund balance	(1,940,542)	(2,797,061)	(2,134,637)	662,424
Fund balance at beginning of year	4,856,983	4,856,983	4,856,983	-
Prior year encumbrances appropriated	1,029,715	1,029,715	1,029,715	-
Fund balance at end of year	<u>\$ 3,946,156</u>	<u>\$ 3,089,637</u>	<u>\$ 3,752,061</u>	<u>\$ 662,424</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,149,672
Total assets.	<u>2,149,672</u>
Liabilities:	
Claims payable.	<u>194,743</u>
Total liabilities	<u>194,743</u>
Net position:	
Unrestricted.	<u>1,954,929</u>
Total net position.	<u><u>\$ 1,954,929</u></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, 2017

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 3,991,657
Total operating revenues	<u>3,991,657</u>
Operating expenses:	
Purchased services.	660,495
Claims	<u>2,237,357</u>
Total operating expenses.	<u>2,897,852</u>
Operating income	<u>1,093,805</u>
Nonoperating revenues:	
Interest revenue	<u>2,477</u>
Total nonoperating revenues.	<u>2,477</u>
Change in net position	1,096,282
Net position at beginning of year	<u>858,647</u>
Net position at end of year	<u><u>\$ 1,954,929</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, 2017

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 3,991,866
Cash payments for contractual services	(660,495)
Cash payments for claims	<u>(2,435,310)</u>
Net cash provided by operating activities	<u>896,061</u>
Cash flows from investing activities:	
Interest received	<u>2,477</u>
Net cash provided by investing activities	<u>2,477</u>
Net increase in cash and cash equivalents	898,538
Cash and cash equivalents at beginning of year . . .	<u>1,251,134</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,149,672</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,093,805
Changes in assets and liabilities:	
Decrease in accounts receivable	209
(Decrease) in claims payable	<u>(197,953)</u>
Net cash provided by operating activities.	<u><u>\$ 896,061</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, 2017

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 25,501
Total assets.	\$ 25,501
Liabilities:	
Due to students.	25,501
Total liabilities	\$ 25,501

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, 2017**

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 88 classified employees and 171 certified full-time personnel who provide services to 2,505 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, 2017

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 2017, the District contributed \$125,049 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, 2017

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, 2017

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 Note 11 for deferred outflows of resources related the District's net pension liability. 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, 2017

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, 2017, but which were levied to finance fiscal year 2018 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.

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 2017, the District's investments Federal Home Loan Bank (FHLB) discount notes, Federal Farm Credit Bank (FFCB) discount notes, commercial paper, 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 2017, 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 \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 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 2017 amounted to \$41,499, which includes \$11,941 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, 2017

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 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, notes and other long-term obligations are recognized as a liability on the fund financial statements when due.

L. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

M. Estimates

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

N. Net Position

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

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

O. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

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

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

Q. Pensions

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

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 2017.

S. Fair Market 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 7); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 185,149
Title VI-B	18,758
Title I	52,188
Improving teacher quality	5,859

The general fund is liable for deficits in these funds and provide 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Cash on Hand

At fiscal year end, the District had \$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, 2017, the carrying amount of all District deposits was \$763,012. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$878,685 of the District's bank balance of \$1,128,685 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2017, the District had the following investments and maturity:

<u>Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
<i>Fair value:</i>			
FHLB - discount notes	\$ 2,088,695	\$ -	\$ 2,088,695
FFCB - discount notes	835,550	-	835,550
Commercial paper	27,653,214	16,500,919	11,152,295
U.S. Government money markets	17,961	17,961	-
<i>Amortized cost:</i>			
STAR Ohio	<u>17,381,219</u>	<u>17,381,219</u>	<u>-</u>
Total	<u>\$ 47,976,639</u>	<u>\$ 33,900,099</u>	<u>\$ 14,076,540</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 federal agency securities (FHLB and FFCB discount 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).

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 FHLB and FFCB discount notes carry ratings of P-1 by Moodys and A-1+ by Standard & Poor's. The investment in commercial paper carry ratings of P-1 by Moodys and A-1+ and A-1 by Standard & Poor's. The U.S. government money markets were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2017:

<u>Investment type</u>	<u>Measurement</u>	
	<u>Value</u>	<u>% to total</u>
<i>Fair value:</i>		
FHLB - discount notes	\$ 2,088,695	4.35
FFCB - discount notes	835,550	1.74
Commercial paper	27,653,214	57.64
U.S. Government money markets	17,961	0.04
<i>Amortized cost:</i>		
STAR Ohio	<u>17,381,219</u>	<u>36.23</u>
Total	<u>\$ 47,976,639</u>	<u>100.00</u>

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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 763,012
Investments	47,976,639
Cash on hand	<u>970</u>
Total	<u>\$ 48,740,621</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 48,715,120
Agency fund	<u>25,501</u>
Total	<u>\$ 48,740,621</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2017, as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor special revenue fund	
	Food service	\$ 174,168
	Title III	<u>4,256</u>
Total due to/due from other funds		<u>\$ 178,424</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

The primary purpose of the due to/from other funds is to cover the negative cash balances at fiscal year-end in the nonmajor governmental funds. The interfund balances 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.

- B.** Interfund transfers for the fiscal year 2017 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor special revenue fund	\$ 2,768

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities. Transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Summit and Portage Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$1,510,199 in the general fund, \$309,461 in the bond retirement fund and \$36,909 in the permanent improvement nonmajor capital projects fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$2,986,634 in the general fund, \$299,865 in the bond retirement fund and \$73,404 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 308,970,620	80.34	\$ 379,136,770	98.35
Public utility personal	5,860,800	18.14	6,347,340	1.65
Tangible personal	<u>68,496,440</u>	<u>1.52</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 383,327,860</u>	<u>100.00</u>	<u>\$ 385,484,110</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$ 72.27		\$ 77.03

NOTE 7 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Community Reinvestment Areas

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

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

The tax abatement agreements entered into by the City of Tallmadge under the CRA program affect the property tax receipts collected and distributed to the District. Under these agreements, the District property taxes were reduced by \$15,103 for fiscal year 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - RECEIVABLES

Receivables at June 30, 2017 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:

<u>Governmental activities:</u>	
Property taxes	<u>\$ 17,979,980</u>
Accounts	<u>850</u>
Intergovernmental:	
Bureau of workers compensation refund	48,425
State foundation - FTE adjustments	29,771
Food service	29,505
Title VI-B	17,412
Title I	52,085
Improving teacher quality	5,746
Title III	4,256
OSFC receivable	14,271,619
SERS	<u>57,434</u>
Total intergovernmental receivables	<u>\$ 14,516,253</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 and payment in lieu of taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The OSFC intergovernmental receivable of \$14,271,619 will be collected over the duration of the construction project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/17</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,354,650	\$ -	\$ -	\$ 3,354,650
Construction in progress	-	594,774	-	594,774
Total capital assets, not being depreciated	<u>3,354,650</u>	<u>594,774</u>	<u>-</u>	<u>3,949,424</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	40,597,885	53,811	-	40,651,696
Furniture, fixtures and equipment	2,377,800	100,587	-	2,478,387
Vehicles	1,519,831	-	(104,058)	1,415,773
Total capital assets, being depreciated	<u>44,495,516</u>	<u>154,398</u>	<u>(104,058)</u>	<u>44,545,856</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(8,704,554)	(550,466)	-	(9,255,020)
Furniture, fixtures and equipment	(1,660,463)	(163,809)	-	(1,824,272)
Vehicles	(1,456,044)	(5,321)	104,058	(1,357,307)
Total accumulated depreciation	<u>(11,821,061)</u>	<u>(719,596)</u>	<u>104,058</u>	<u>(12,436,599)</u>
Governmental activities capital assets, net	<u>\$ 36,029,105</u>	<u>\$ 29,576</u>	<u>\$ -</u>	<u>\$ 36,058,681</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 400,604
Special	11,221
Vocational	31,657
<u>Support services:</u>	
Pupil	4,669
Instructional staff	18,862
Administration	45,072
Fiscal	488
Business	108
Operations and maintenance	120,637
Pupil transportation	2,419
Food service operations	25,167
Extracurricular activities	<u>58,692</u>
Total depreciation expense	<u>\$ 719,596</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

Certain adjustments to current interest bonds, capital appreciation bonds, accreted interest, and unamortized premiums related to the Series 2012 and Series 2013 refunding school facilities bond issues were reported in the additions/adjustments column in the schedule below. The District's long-term obligations activity during fiscal year 2017 consisted of the following:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/17</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds:					
Series 2012, refunding school facilities bonds					
Current interest	\$ 8,265,000	\$ -	\$ (110,000)	\$ 8,155,000	\$ 105,000
Capital appreciation	39,489	-	-	39,489	-
Accreted interest	-	149,680	-	149,680	-
Series 2013, refunding school facilities bonds					
Current interest	12,135,002	4,998	(1,020,000)	11,120,000	-
Capital appreciation	1,124,991	-	-	1,124,991	596,935
Accreted interest	-	760,822	-	760,822	400,982
Series 2017-1, classroom facilities and school improvement bonds					
Current interest	-	28,345,000	-	28,345,000	900,000
Series 2017-2A, classroom facilities and school improvement bonds					
Current interest	-	7,400,000	-	7,400,000	175,000
Series 2017-2B, classroom facilities and school improvement bonds					
Current interest	-	2,110,000	-	2,110,000	100,000
Total general obligation bonds	<u>21,564,482</u>	<u>38,770,500</u>	<u>(1,130,000)</u>	<u>59,204,982</u>	<u>2,277,917</u>
Bond anticipation notes	-	31,588,634	(31,588,634)	-	-
Compensated absences	2,914,895	188,606	(221,041)	2,882,460	156,932
Net pension liability:					
STRS	30,715,193	7,174,629	-	37,889,822	-
SERS	6,793,291	1,809,640	-	8,602,931	-
Total net pension liability	<u>37,508,484</u>	<u>8,984,269</u>	<u>-</u>	<u>46,492,753</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>61,987,861</u>	<u>79,532,009</u>	<u>(32,939,675)</u>	<u>108,580,195</u>	<u>\$ 2,434,849</u>
Add: Unamortized premium on bonds	<u>420,486</u>	<u>3,333,694</u>	<u>(605,154)</u>	<u>3,149,026</u>	
Total on the statement of net position	<u>\$ 62,408,347</u>	<u>\$ 82,865,703</u>	<u>\$(33,544,829)</u>	<u>\$ 111,729,221</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

A. General Obligation Bonds

The District has five outstanding general obligation bond issues at June 30, 2017. 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, 2017, is \$8,570,000.

The debt issue is comprised of current interest bonds (par value \$8,530,000) 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, 2017, is \$12,950,000.

The debt issue is comprised of current interest bonds (par value \$13,560,000) and capital appreciation bonds (par value \$1,124,991). The interest rate on the current interest bonds is 2.00-4.00 percent. The capital appreciation bonds mature December 1, 2017 and December 1, 2018 (approximate initial offering yield at maturity of 1.46 percent and 1.70 percent, respectively), at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,100,000. Total accreted interest of \$760,822 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2017-1 Classroom Facilities and School Improvement Bonds

On May 11, 2017, the District issued \$28,345,000, in school facilities construction and improvement general obligation bonds, Series 2017-1. The bonds were issued to retire the Series 2017 classroom facilities and school improvement notes, which were issued for the purpose of constructing, improving, furnishing and equipping new elementary and middle school buildings and athletic buildings and facilities, and renovating, clearing, improving, and equipping their sites. At June 30, 2017, the debt issue is comprised of current interest serial bonds (par value \$3,560,000) and current interest term bonds (par value \$24,785,000). The interest rate on the current interest serial bonds ranges from 2.00-4.00 percent and the interest rate on the current interest term bonds ranges from 3.375-5.00 percent. The Series 2017-1 bonds have been rated in conjunction with the District's participation in the Ohio Credit Enhancement Program.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Fiscal Year</u>	2036 <u>Term Bonds</u>	2041 <u>Term Bonds</u>	2044 <u>Term Bonds</u>	2047 <u>Term Bonds</u>	2053 <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, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2017-2A Classroom Facilities and School Improvement Bonds

On May 31, 2017, the District issued \$7,400,000, in school facilities construction and improvement general obligation bonds, Series 2017-2A. The bonds were issued to retire a portion of the \$9,900,000 Series 2016 classroom facilities and school improvement notes, which were issued for the purpose of constructing, improving, furnishing and equipping new elementary and middle school buildings and renovating, clearing, improving, and equipping their sites. The debt issue is comprised of current interest serial bonds (par value \$1,065,000) 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>2029</u> <u>Term Bonds</u>	<u>2037</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, 2017, the debt issue is comprised of current interest serial bonds (par value \$2,110,000). 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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
2018	\$ 1,280,000	\$ 1,941,260	\$ 3,221,260	\$ 596,935	\$ 453,065	\$ 1,050,000
2019	480,000	2,098,126	2,578,126	528,056	521,944	1,050,000
2020	1,545,000	2,064,026	3,609,026	-	-	-
2021	1,595,000	2,007,627	3,602,627	-	-	-
2022	1,665,000	1,947,101	3,612,101	-	-	-
2023-2027	9,385,000	8,732,056	18,117,056	-	-	-
2028-2032	9,820,000	7,022,661	16,842,661	39,489	1,415,511	1,455,000
2033-2037	5,830,000	5,586,901	11,416,901	-	-	-
2038-2042	5,350,000	4,671,268	10,021,268	-	-	-
2043-2047	7,100,000	3,301,997	10,401,997	-	-	-
2048-2052	8,935,000	1,753,280	10,688,280	-	-	-
2053-2054	4,145,000	167,500	4,312,500	-	-	-
Total	\$ 57,130,000	\$ 41,293,803	\$ 98,423,803	\$ 1,164,480	\$ 2,390,520	\$ 3,555,000

B. Bond Anticipation Notes

On December 28, 2016, the District issued \$9,900,000 in Series 2016 classroom facilities and school improvement notes for the purpose of constructing, improving, furnishing and equipping new elementary and middle school buildings and renovating, clearing, improving, and equipping their sites. The notes had a maturity date of June 1, 2017, and were retired with proceeds from the Series 2017-2A and Series 2017-2B general obligation bond issue. The notes had an interest rate of 1.35 percent.

On February 1, 2017, the District issued \$21,688,634 in Series 2017 classroom facilities and school improvement notes 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. The notes had a maturity date of June 1, 2017, and were retired with proceeds from the Series 2017-1 general obligation bond issue. The notes had an interest rate of 2.00 percent.

C. 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

The District pays obligations related to employee compensation from the fund benefitting their service. See Note 11 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, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. 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, 2017, the District's voted legal debt margin was \$0 and the unvoted legal debt margin was \$385,484.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - 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 - District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$512,853 for fiscal year 2017. Of this amount, \$23,285 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - 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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,741,781 for fiscal year 2017. Of this amount, \$291,497 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.11905320%	0.11113764%	
Proportion of the net pension liability current measurement date	<u>0.11754120%</u>	<u>0.11319513%</u>	
Change in proportionate share	<u>-0.00151200%</u>	<u>0.00205749%</u>	
Proportionate share of the net pension liability	\$ 8,602,931	\$ 37,889,822	\$ 46,492,753
Pension expense	\$ 1,407,768	\$ 2,900,055	\$ 4,307,823

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ 116,035	\$ 1,530,932	\$ 1,646,967
Net difference between projected and actual earnings on pension plan investments	709,615	3,145,873	3,855,488
Changes of assumptions	574,293	-	574,293
Difference between District contributions and proportionate share of contributions/change in proportionate share	20,387	508,675	529,062
District contributions subsequent to the measurement date	<u>512,853</u>	<u>1,741,781</u>	<u>2,254,634</u>
Total deferred outflows of resources	<u>\$ 1,933,183</u>	<u>\$ 6,927,261</u>	<u>\$ 8,860,444</u>

\$2,254,634 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, 2018. 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:			
2018	\$ 357,812	\$ 867,648	\$ 1,225,460
2019	357,302	867,648	1,224,950
2020	501,232	2,074,808	2,576,040
2021	<u>203,984</u>	<u>1,375,376</u>	<u>1,579,360</u>
Total	<u>\$ 1,420,330</u>	<u>\$ 5,185,480</u>	<u>\$ 6,605,810</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.

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.

**TALLMADGE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, 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 and (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.

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.

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
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 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 11,389,745	\$ 8,602,931	\$ 6,270,252

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**TALLMADGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 50,352,495	\$ 37,889,822	\$ 27,376,823

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$61,506.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$61,506, \$20,963, and \$20,665, respectively. The fiscal year 2017 amount has been reported as intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

NOTE 14 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The following is a summary of the District's insurance coverage with Todd & Associates, Inc. as of June 30, 2017:

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT - (Continued)

B. Medical/Surgical, Prescription Drug and Dental Insurance

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

The claims liability of \$194,743 reported in the internal service fund at June 30, 2017 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 2017 was:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2017	\$ 392,696	\$ 2,237,357	\$ 2,435,310	\$ 194,743
2016	256,176	2,676,308	2,539,788	392,696

C. Workers’ Compensation

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (2,134,637)
Net adjustment for revenue accruals	(1,335,226)
Net adjustment for expenditure accruals	(548,971)
Net adjustment for other sources/uses	(240,098)
Funds budgeted elsewhere *	24,803
Adjustment for encumbrances	1,035,624
GAAP basis	<u>\$ (3,198,505)</u>

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

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future fiscal years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current fiscal year set-aside requirement	413,476
Current fiscal year qualifying expenditures	(133,623)
Current fiscal year offsets	<u>(312,334)</u>
Total	<u>\$ (32,481)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u><u>\$ -</u></u>

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

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 863,660
Classroom facilities	2,575,226
Other governmental	<u>95,627</u>
Total	<u><u>\$ 3,534,513</u></u>

NOTE 18 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

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

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 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 FOUR FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.11754120%	0.11905320%	0.12394500%	0.12394500%
District's proportionate share of the net pension liability	\$ 8,602,931	\$ 6,793,291	\$ 6,272,786	\$ 7,370,364
District's covered-employee payroll	\$ 2,832,850	\$ 2,846,583	\$ 2,799,263	\$ 2,846,583
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	303.68%	238.65%	224.09%	258.92%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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

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

**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 FOUR FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.11319513%	0.11113764%	0.11015718%	0.11015718%
District's proportionate share of the net pension liability	\$ 37,889,822	\$ 30,715,193	\$ 26,794,038	\$ 31,916,200
District's covered-employee payroll	\$ 12,174,936	\$ 11,797,393	\$ 11,506,984	\$ 11,650,542
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.21%	260.36%	232.85%	273.95%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

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

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 512,853	\$ 396,598	\$ 390,958	\$ 387,977
Contributions in relation to the contractually required contribution	<u>(512,853)</u>	<u>(396,598)</u>	<u>(390,958)</u>	<u>(387,977)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,663,236	\$ 3,009,097	\$ 2,846,583	\$ 2,799,263
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.73%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 393,966	\$ 395,994	\$ 366,516	\$ 385,856	\$ 362,524	\$ 398,001
<u>(393,966)</u>	<u>(395,994)</u>	<u>(366,516)</u>	<u>(385,856)</u>	<u>(362,524)</u>	<u>(398,001)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,846,583	\$ 2,944,193	\$ 2,915,800	\$ 2,849,749	\$ 3,684,187	\$ 4,052,963
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,741,781	\$ 1,704,491	\$ 1,651,635	\$ 1,495,908
Contributions in relation to the contractually required contribution	<u>(1,741,781)</u>	<u>(1,704,491)</u>	<u>(1,651,635)</u>	<u>(1,495,908)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,441,293	\$ 12,174,936	\$ 11,797,393	\$ 11,506,984
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,514,570	\$ 1,699,709	\$ 1,657,788	\$ 1,634,856	\$ 1,691,173	\$ 1,708,110
<u>(1,514,570)</u>	<u>(1,699,709)</u>	<u>(1,657,788)</u>	<u>(1,634,856)</u>	<u>(1,691,173)</u>	<u>(1,708,110)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,650,542	\$ 13,074,685	\$ 12,752,215	\$ 12,575,815	\$ 13,009,023	\$ 13,139,308
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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.

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 and (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.

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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR			Federal		
<i>Pass Through Grantor</i>	Pass Through	Grant	CFDA		
Program / Cluster Title	Entity Number	Year	Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
National School Lunch Program	004488-3L60-2017	2017	10.555	250,116	250,116
National School Breakfast Program	004488-3L70-2017	2017	10.553	73,008	73,008
Non-Cash Assistance:					
National School Lunch Program	None	2017	10.555	53,599	53,599
Total Nutrition Cluster				<u>376,723</u>	<u>376,723</u>
Non-Cash Assistance:					
Fresh Fruit and Vegetable Program	None	2017	10.582	9,863	9,863
Total U.S. Department of Agriculture				<u><u>386,586</u></u>	<u><u>386,586</u></u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies Cluster:					
Title I Grants to Local Educational Agencies	004488-3M00-2016	2016	84.010	43,933	53,280
Title I Grants to Local Educational Agencies	004488-3M00-2017	2017	84.010	386,357	365,164
Total Title I Grants to Local Educational Agencies				<u>430,290</u>	<u>418,444</u>
Special Education Cluster:					
Special Education Grants to States	004488-3M20-2016	2016	84.027	66,476	70,331
Special Education Grants to States	004488-3M20-2017	2017	84.027	394,587	376,251
Total Special Education Cluster				<u>461,063</u>	<u>446,582</u>
Improving Teacher Quality State Grants	004488-3Y60-2016	2016	84.367	6,200	7,421
Improving Teacher Quality State Grants	004488-3Y60-2017	2017	84.367	47,229	44,193
Total Improving Teacher Quality State Grants				<u>53,429</u>	<u>51,614</u>
Career and Technical Education Grant	004488-3L90-2017	2017	84.048	2,800	0
<i>Total Passed Through Ohio Department of Education</i>				<u>947,582</u>	<u>916,640</u>
Total U.S. Department of Education				<u>947,582</u>	<u>916,640</u>
Total Federal Financial Assistance				<u><u>\$1,334,168</u></u>	<u><u>\$1,303,226</u></u>

The accompanying notes are an integral part of this schedule.

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes the federal award activity of Tallmadge City School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2017 to 2018</u>
Title I Grants to Local Educational Agencies	84.010	\$ 43,769
Supporting Effective Instruction State Grant	84.367	6,860
Special Education Grants to States (IDEA, Part B)	84.027	94,224



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallmadge City School District, Summit County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Tallmadge City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Tallmadge City School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Tallmadge City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018

**TALLMADGE CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 - Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Tallmadge City Schools

McCombs Educational Center
486 East Avenue
Tallmadge, Ohio 44278
330-633-3291
Fax # 330-633-6525

Jeffery W Hostetler
Treasurer

Jeffrey M Ferguson
Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Budget vs. Actual Statement – Original and Final budgeted revenues on the <i>General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual</i> were not properly reported.	Corrective Action Taken and Finding is Fully Corrected	None – Finding was fully corrected



Dave Yost • Auditor of State

TALLMADGE CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2018**