

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
SINGLE AUDIT
JULY 1, 2017 – JUNE 30, 2018**



OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Groveport Madison Local School District
4400 Marketing Place, Suite B
Groveport, Ohio 43125

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

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

A handwritten signature in black ink that reads "Keith Faber".

Ohio Auditor of State

January 17, 2019

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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Groveport Madison Local School District
Franklin County
4400 Marketing Place, Suite B
Groveport, Ohio 43125



INDEPENDENT AUDITOR'S REPORT

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 Groveport Madison Local School District, Franklin County, Ohio (the District), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 20 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for 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.

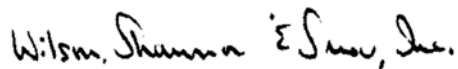
The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statement.

Groveport Madison Local School District
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Independent Auditor's Report

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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.



December 21, 2018
Newark, Ohio

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GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

As management of the Groveport Madison Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$4.0 million (net position), an increase of \$33.4 million during the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$36.0 million, a decrease of \$11.3 million from the close of the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

All activities of the District are accounted for as governmental activities. These activities include instruction, support services, non-instructional services, co-curricular activities, interest and fiscal charges, and bond issuance costs.

The reader will also need to consider non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION & ANALYSIS
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Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Building Fund, each of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds use the accrual basis of accounting; the same as on the entity-wide statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various funds. The District uses an internal service fund to account for health claims and premiums. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used in the private sector.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$4.0 million at the close of the current fiscal year.

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MANAGEMENT'S DISCUSSION & ANALYSIS
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A comparative analysis of fiscal year 2018 to 2017 follows for the Statement of Net Position:

Governmental Activities

	<u>2018</u>	<u>Restated 2017</u>	<u>Percent Change</u>
Current Assets	\$ 75,455,046	\$ 91,821,687	-17.8%
Capital Assets, Net	75,887,206	56,173,241	35.1%
Total Assets	<u>151,342,252</u>	<u>147,994,928</u>	<u>2.3%</u>
Deferred Outflows of Resources	<u>28,421,681</u>	<u>20,766,595</u>	<u>36.86%</u>
Current Liabilities	12,022,283	11,154,825	7.8%
Long-term Liabilities			
Other Long-term Liabilities	53,870,512	54,101,156	-0.4%
Net Pension Liability	74,659,847	99,438,257	-24.9%
Net OPEB Liability	16,493,436	20,092,102	-17.9%
Total Liabilities	<u>157,046,078</u>	<u>184,786,340</u>	<u>-15.0%</u>
Deferred Inflows of Resources	<u>26,766,421</u>	<u>21,382,688</u>	<u>25.18%</u>
Net Investment in Capital Assets	29,021,855	20,993,566	38.2%
Restricted	10,435,708	20,323,148	-48.7%
Unrestricted	(43,506,129)	(78,724,219)	44.7%
Total Net Position	<u>\$ (4,048,566)</u>	<u>\$ (37,407,505)</u>	<u>-89.2%</u>

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should, accordingly, be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from negative \$17.4 million to negative \$37.4 million.

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

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Current Assets decreased significantly and Capital Assets, Net and Net Investment in Capital Assets both increased significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of spending down resources related to state and locally funded construction projects, most notably the Ohio Facilities Construction Commission project.

A portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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A comparative analysis of fiscal year 2018 to 2017 follows for the Changes in Net Position:

Governmental Activities

	<u>2018</u>	<u>2017</u>	<u>Percent Change</u>
Program Revenues			
Charges for Services	\$ 2,141,768	\$ 2,213,997	-3.3%
Operating Grants and Contributions	7,488,805	7,052,127	6.2%
General Revenues			
Property Taxes	37,661,750	34,879,661	8.0%
Payments in Lieu of Taxes	1,698,078	2,198,536	-22.8%
Unrestricted Grants and Entitlements	44,737,985	44,347,890	0.9%
Investment Earnings	415,762	277,906	49.6%
Miscellaneous	345,161	592,259	-41.7%
Total Revenues	<u>94,489,309</u>	<u>91,562,376</u>	<u>3.2%</u>
Program Expenses			
Instructional	28,929,952	54,069,748	-46.5%
Support Services	26,289,048	30,281,070	-13.2%
Co-Curricular Activities	675,571	1,081,821	-37.6%
Non-instructional Services	3,223,004	3,468,301	-7.1%
Interest and Fiscal Charges	1,818,861	1,944,166	-6.4%
Bond Issuance Costs	193,934	-	100.0%
Total Expenses	<u>61,130,370</u>	<u>90,845,106</u>	<u>-32.7%</u>
Special Item	<u>-</u>	<u>943,065</u>	<u>-100.0%</u>
Change in Net Position	33,358,939	1,660,335	1909.2%
Net Position, Beginning of Fiscal Year, Restated	(37,407,505)	N/A	
Net Position, End of Fiscal Year	<u>\$ (4,048,566)</u>	<u>\$ (37,407,505)</u>	

Charges for services decreased in comparison with the prior fiscal year. This decrease is primarily the result of closure of Groveport Madison Cruiser Academy in the previous fiscal year.

The District's special item relates to the closure of Groveport Madison Cruiser Academy.

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MANAGEMENT'S DISCUSSION & ANALYSIS
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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$134,336 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$2.6 million. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75		\$	61,130,370
Negative OPEB expense under GASB 75			2,555,519
2018 contractually required contribution			<u>174,952</u>
Adjusted 2018 operating expenses			63,860,841
Total 2017 operating expenses under GASB 45			<u>90,845,106</u>
Decrease in operating expenses not related to OPEB		\$	<u><u>(26,984,265)</u></u>

Total Expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in pension expense from \$8.8 million in fiscal year 2017 to negative \$22.7 million in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the costs of program services and the net cost of those services after taking into account program revenues. General revenues including tax revenue, unrestricted State entitlements and investment earnings must support the net cost of program services.

A comparative analysis of fiscal year 2018 to 2017 follows:

	Total Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2018	Net Cost of Services 2017
Program Expenses				
Instructional	\$ 28,929,952	\$ 54,069,748	\$ 24,871,985	\$ 50,090,268
Support Services	26,289,048	30,281,070	24,470,480	28,616,795
Non-instructional Services	3,223,004	3,468,301	(187,472)	67,077
Co-Curricular Activities	675,571	1,081,821	332,009	860,676
Interest and Fiscal Charges	1,818,861	1,944,166	1,818,861	1,944,166
Bond Issuance Costs	<u>193,934</u>	<u>-</u>	<u>193,934</u>	<u>-</u>
Total	<u><u>\$ 61,130,370</u></u>	<u><u>\$ 90,845,106</u></u>	<u><u>\$ 51,499,797</u></u>	<u><u>\$ 81,578,982</u></u>

General revenues, consisting primarily of local property taxes and unrestricted state entitlements, comprise 90% of the District's total revenues. The net cost of services column highlights the District's reliance upon general revenues reflecting the need for \$51.5 million in support.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION & ANALYSIS
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The property tax laws in Ohio create the need to periodically seek voter approval for additional operating funds. Tax revenues generated from a levy do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely heavily on voter approval of operating tax issues, management of the resources is of paramount concern to the District's administration and the voting public.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$36.0 million, a decrease of \$11.3 million from the prior fiscal year.

The schedule below indicates the fund balance and the total change in fund balance for June 30, 2018 and 2017.

	<u>Fund Balance June 30, 2018</u>	<u>Fund Balance June 30, 2017</u>	<u>Change</u>
General Fund	\$ 23,594,284	\$ 20,666,192	\$ 2,928,092
Building Fund	7,515,435	22,659,120	(15,143,685)
Other Governmental Funds	4,928,791	3,973,442	955,349
Total	<u>\$ 36,038,510</u>	<u>\$ 47,298,754</u>	<u>\$ (11,260,244)</u>

General Fund

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$13.2 million, while total fund balance was \$23.6 million.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

A comparative analysis of fiscal year 2018 to 2017 General Fund revenues is as follows:

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Property Taxes	\$ 34,665,330	\$ 33,723,354	2.8%
Payments in Lieu of Taxes	1,905,429	2,127,035	-10.4%
Intergovernmental	44,588,861	44,199,961	0.9%
Investment Income	126,689	78,678	61.0%
Tuition and Fees	1,415,128	862,862	64.0%
Charges for Services	42,521	789,378	-94.6%
Other	624,313	703,870	-11.3%
Total	<u>\$ 83,368,271</u>	<u>\$ 82,485,138</u>	<u>1.1%</u>

Payments in Lieu of Taxes decreased significantly in comparison with the prior fiscal year. This decrease is the result of the timing of payments received from the City of Groveport. Tuition and Fees increased in comparison with the prior fiscal year. This increase is primarily the result of the increase on enrollment. Charges for services decreased significantly in comparison with the prior fiscal year. This decrease is related to the closure of Groveport Madison Cruiser Academy in the prior fiscal year.

A comparative analysis of fiscal year 2018 to 2017 General Fund expenditures is as follows:

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Instruction	\$ 50,118,744	\$ 48,950,271	2.4%
Support Services	27,252,953	26,133,509	4.3%
Non-instructional Services	261,201	207,074	26.1%
Co-curricular Activities	842,312	556,795	51.3%
Capital Outlay	159,526	1,472,662	-89.2%
Debt Service	121,057	-	N/A
Total	<u>\$ 78,755,793</u>	<u>\$ 77,320,311</u>	<u>1.9%</u>

Total Expenses also increased slightly in comparison with the prior fiscal year. This increase is primarily the result of increases in employee salary and fringe benefit costs.

Building Fund

The fund balance of the District's Building Fund decreased \$15.1 million during the current period. This decrease is primarily the result of spending down resources related to state and locally funded construction projects, most notably the Ohio Facilities Construction Commission project.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts and disbursements and encumbrances. Changes are made to the District's budget as changes in revenues and spending patterns are experienced.

The variances between the District's original and final estimated resources and final estimated resources and actual receipts were both insignificant.

The District's final appropriations were slightly more than original appropriations approximately and there was a insignificant variance between the District's final appropriations and actual budgetary expenditures.

Capital Assets

At fiscal year-end, the District had approximately \$75.9 million in capital assets, net of accumulated depreciation, a \$19.7 million increase from the previous fiscal year. This increase represents the amount by which capital outlays (\$24.3 million) exceeded current year depreciation (\$1.6 million) and deletions, net (\$3.0 million). Detailed information regarding capital asset activity can be found in Note 9 to the basic financial statements.

Debt

At fiscal year-end, the District had \$51.3 million in outstanding long-term bonds and notes, a decrease of \$262,777 in comparison with the prior fiscal year. This decrease represents the amount in which current year principal payments and amortization, totaling \$1.4 million, and refunded bonds of \$8.5 million exceeded new refunding bonds of \$9.6 million. Detailed information regarding general long-term obligations can be found in Note 10 to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. At fiscal year-end, the District's general obligation debt was below the legal limit.

Currently Known Facts

The District continues to turn the corner financially. The combined operating and bond levy passed in May 2014 and an increase in Foundation funding from the Ohio Department of Education has stabilized the District's General Fund. The District's new high school opened to students in August 2018.

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 reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to John Walsh, Treasurer, Groveport Madison Local School District, 4400 Marketing Place, Suite B, Groveport, Ohio 43125.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 27,148,665
Investments	6,419,349
Property Taxes Receivable	37,836,833
Payments in Lieu of Taxes Receivable	1,157,280
Accounts Receivable	35,735
Interest Receivable	89,459
Due From Other Governments	2,737,542
Inventory Held for Resale	30,183
Nondepreciable Capital Assets	50,599,560
Depreciable Capital Assets, Net	25,287,646
Total Assets	151,342,252
 Deferred Outflows of Resources:	
Deferred Amount on Refunding	933,014
Pension	26,307,700
OPEB	1,180,967
Total Deferred Inflows of Resources	28,421,681
 Liabilities:	
Accounts Payable	2,094,132
Accrued Wages and Benefits Payable	6,605,720
Due To Other Governments	1,281,842
Accrued Interest Payable	381,171
Retainage Payable	854,418
Claims Payable	805,000
Long-Term Liabilities:	
Due Within One Year	1,975,446
Due in More Than One Year	
Other Amounts Due in More Than One Year	51,895,066
Net Pension Liability	74,659,847
Net OPEB Liability	16,493,436
Total Liabilities	157,046,078
 Deferred Inflows of Resources:	
Property and Other Local Taxes	22,118,183
Pension	2,733,412
OPEB	1,914,826
Total Deferred Inflows of Resources	26,766,421
 Net Position:	
Net Investment in Capital Assets	29,021,855
Restricted:	
Food Services	1,178,289
Permanent Improvements	1,267,223
Capital Projects	6,247,919
Co-Curricular Activities	96,954
State Funded Programs	183,080
Federally Funded Programs	1,743
Debt Service	878,425
Classroom Facilities Maintenance	582,075
Unrestricted	(43,506,129)
Total Net Position	\$ (4,048,566)

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Instruction				
Regular	\$ 21,062,071	\$ 1,058,472	\$ 579,391	\$ (19,424,208)
Special	7,746,871	396,039	1,990,294	(5,360,538)
Vocational	4,058	-	-	(4,058)
Other	116,952	3,138	30,633	(83,181)
Support Services				
Pupils	2,480,032	-	504,558	(1,975,474)
Instructional Staff	627,092	-	1,554	(625,538)
Board of Education	856,915	-	-	(856,915)
Administration	2,782,193	75,672	584,160	(2,122,361)
Fiscal	1,760,152	-	-	(1,760,152)
Business	(21,586)	-	-	21,586
Operation and Maintenance of Plant	10,279,377	-	84,205	(10,195,172)
Pupil Transportation	6,206,256	-	550,419	(5,655,837)
Central	1,318,617	-	18,000	(1,300,617)
Non-instructional Services	3,223,004	375,828	3,034,648	187,472
Co-Curricular Activities	675,571	232,619	110,943	(332,009)
Interest and Fiscal Charges	1,818,861	-	-	(1,818,861)
Bond Issuance Costs	193,934	-	-	(193,934)
Total Governmental Activities	\$ 61,130,370	\$ 2,141,768	\$ 7,488,805	(51,499,797)
General Revenues:				
Property Taxes Levied for:				
General Purposes				34,695,397
Bond Retirement				1,655,604
Permanent Improvements				1,310,749
Payments in Lieu of Taxes				1,698,078
Unrestricted Grants and Entitlements				44,737,985
Investment Earnings				415,762
Miscellaneous				345,161
Total General Revenues				84,858,736
Change in Net Position				33,358,939
Net Position Beginning of Fiscal Year, Restated				(37,407,505)
Net Position End of Fiscal Year				\$ (4,048,566)

See accompanying notes to the basic financial statements.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 13,807,404	\$ 6,681,351	\$ 3,545,790	\$ 24,034,545
Investments	2,952,098	2,971,379	495,872	6,419,349
Receivables:				
Property Taxes	34,976,425	-	2,860,408	37,836,833
Payments in Lieu of Taxes	1,157,280	-	-	1,157,280
Accounts	35,456	-	279	35,735
Interest	66,930	19,002	3,527	89,459
Due From Other Governments	257,335	1,964,820	515,387	2,737,542
Inventory Held for Resale	-	-	30,183	30,183
Total Assets	<u>\$ 53,252,928</u>	<u>\$ 11,636,552</u>	<u>\$ 7,451,446</u>	<u>\$ 72,340,926</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 620,571	\$ 1,295,243	\$ 178,318	\$ 2,094,132
Accrued Wages and Benefits Payable	6,094,863	-	510,857	6,605,720
Due to Other Governments	1,213,649	-	68,193	1,281,842
Compensated Absences Payable	4,000	-	-	4,000
Retainage Payable	-	854,418	-	854,418
Total Liabilities	<u>7,933,083</u>	<u>2,149,661</u>	<u>757,368</u>	<u>10,840,112</u>
Deferred Inflows of Resources:				
Unavailable Revenue	1,249,617	1,971,456	123,048	3,344,121
Property and Other Local Taxes	20,475,944	-	1,642,239	22,118,183
Total Deferred Inflows of Resources	<u>21,725,561</u>	<u>1,971,456</u>	<u>1,765,287</u>	<u>25,462,304</u>
Fund Balances:				
Restricted:				
Food Services	-	-	1,178,289	1,178,289
Permanent Improvements	-	-	1,261,070	1,261,070
Capital Projects	-	7,515,435	-	7,515,435
Co-Curricular Activities	-	-	96,954	96,954
State Funded Programs	-	-	183,080	183,080
Federally Funded Programs	-	-	146	146
Debt Service	-	-	1,733,278	1,733,278
Classroom Facilities Maintenance	-	-	582,075	582,075
Assigned:				
Public School Support	128,166	-	-	128,166
Instructional Services	98,239	-	-	98,239
Support Services	423,118	-	-	423,118
Noninstructional Services	976	-	-	976
Future Appropriations	9,755,996	-	-	9,755,996
Unassigned	13,187,789	-	(106,101)	13,081,688
Total Fund Balances	<u>23,594,284</u>	<u>7,515,435</u>	<u>4,928,791</u>	<u>36,038,510</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 53,252,928</u>	<u>\$ 11,636,552</u>	<u>\$ 7,451,446</u>	<u>\$ 72,340,926</u>

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances \$ 36,038,510

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 75,887,206

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

Property Taxes Receivable	540,333
Payments in Lieu of Taxes Receivable	720,425
Intergovernmental Receivable	2,052,460
Accrued Interest Receivable	30,903

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 2,309,120

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

Deferred Outflows - Pension	26,307,700
Deferred Outflows - OPEB	1,180,967
Deferred Inflows - Pension	(2,733,412)
Deferred Inflows - OPEB	(1,914,826)
Net Pension Liability	(74,659,847)
Net OPEB Liability	(16,493,436)

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	(32,904,732)
Unamortized Bond Premium	(1,860,048)
Energy Conservation Note	(3,743,490)
Athletic Facility Bond	(546,000)
Deferred Amount on Refunding	933,014
Certificates of Participation	(12,254,030)
Accumulated Accretion	(8,374)
Accrued Interest Payable	(381,171)
Compensated Absences	(2,317,864)
Capital Lease	(231,974)

Net Position of Governmental Activities \$ (4,048,566)

See accompanying notes to the basic financial statements.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 34,665,330	\$ -	\$ 2,971,439	\$ 37,636,769
Payments in Lieu of Taxes	1,905,429	-	-	1,905,429
Intergovernmental	44,588,861	8,679,378	7,449,218	60,717,457
Investment Income	126,689	241,464	12,822	380,975
Co-Curricular Activities	75,672	-	232,619	308,291
Tuition and Fees	1,415,128	-	-	1,415,128
Charges for Services	42,521	-	375,828	418,349
Donations	259,883	75,000	65,470	400,353
Other	288,758	-	13,930	302,688
Total Revenues	<u>83,368,271</u>	<u>8,995,842</u>	<u>11,121,326</u>	<u>103,485,439</u>
Expenditures:				
Current:				
Instruction:				
Regular	37,280,723	-	587,157	37,867,880
Special	12,752,069	-	2,009,639	14,761,708
Other	85,952	-	31,000	116,952
Support services:				
Pupils	4,452,816	-	507,845	4,960,661
Instructional Staff	1,142,207	-	1,585	1,143,792
Board of Education	858,796	-	-	858,796
School Administration	5,625,924	-	496,435	6,122,359
Fiscal Services	1,786,056	-	40,647	1,826,703
Business Operations	13,750	-	-	13,750
Operation and Maintenance of Plant	6,250,529	-	238,371	6,488,900
Pupil Transportation	5,655,050	-	546,141	6,201,191
Central Services	1,467,825	-	18,000	1,485,825
Non-instructional Services	261,201	-	3,324,368	3,585,569
Co-Curricular Activities	842,312	50,000	275,383	1,167,695
Capital Outlay	159,526	24,089,527	63,308	24,312,361
Debt service:				
Principal Retirement	118,040	-	1,352,554	1,470,594
Interest and Fiscal Charges	3,017	-	1,873,769	1,876,786
Bond Issuance Costs	-	-	176,330	176,330
Total Expenditures	<u>78,755,793</u>	<u>24,139,527</u>	<u>11,542,532</u>	<u>114,437,852</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,612,478	(15,143,685)	(421,206)	(10,952,413)
Other Financing Sources/(Uses):				
Sale of Capital Assets	15,839	-	-	15,839
Proceeds From Sale of Refunding Bonds	-	-	8,229,732	8,229,732
Premium on Sale of Refunding Bonds	-	-	1,386,709	1,386,709
Payment to Refunding Bond Escrow Agent	-	-	(9,440,111)	(9,440,111)
Transfers In	-	-	1,200,225	1,200,225
Transfers Out	(1,700,225)	-	-	(1,700,225)
Total Other Financing Sources/(Uses)	<u>(1,684,386)</u>	<u>-</u>	<u>1,376,555</u>	<u>(307,831)</u>
Net Change in Fund Balances	2,928,092	(15,143,685)	955,349	(11,260,244)
Fund Balance Beginning of Fiscal Year	20,666,192	22,659,120	3,973,442	47,298,754
Fund Balance End of Fiscal Year	<u>\$ 23,594,284</u>	<u>\$ 7,515,435</u>	<u>\$ 4,928,791</u>	<u>\$ 36,038,510</u>

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (11,260,244)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	24,273,181
Depreciation	(1,603,502)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations).	
Sales/Disposals	(2,955,714)
Internal service funds are used by management to charge costs of the employer share of payroll related costs and self insurance to individual funds. The expenditures of the internal service funds are included in governmental activities in the statement of net assets.	
	2,309,120
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	24,981
Payments in Lieu of Taxes	(207,351)
Intergovernmental Revenues	(8,728,366)
Other Revenues	(105,117)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	5,230,560
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	22,664,831
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.	
	2,555,519
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal Repayments	1,470,594
Proceeds From Bonds	(8,229,732)
Proceeds From Premium on Bonds	(1,386,709)
Payment to Refunding Bond Escrow Agent	9,440,111
Amortization of Premium and Discount and Deferred Amount on Refunding	19,567
Accrued Interest Payable	20,754
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Compensated Absences	(173,544)
Change in Net Position of Governmental Activities	\$ 33,358,939

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 33,035,710	\$ 34,158,402	\$34,158,402	\$ -
Payments in Lieu of Taxes	2,000,000	1,905,429	1,905,429	-
Intergovernmental	45,359,964	44,705,291	44,705,291	-
Investment Income	100,000	199,962	199,962	-
Tuition and Fees	912,750	1,784,801	1,784,801	-
Charges for Services	-	42,521	42,521	-
Donations	140,000	494,279	494,279	-
Other	107,523	179,759	179,759	-
Total Revenues	81,655,947	83,470,444	83,470,444	-
Expenditures:				
Current:				
Instruction:				
Regular	36,935,092	37,163,522	37,163,522	-
Special	12,814,868	12,570,794	12,570,793	1
Other	134,019	85,952	85,952	-
Support services:				
Pupils	4,391,818	4,230,088	4,230,088	-
Instructional Staff	1,338,035	1,147,430	1,147,430	-
Board of Education	870,625	887,178	887,178	-
School Administration	5,380,656	5,192,796	5,192,796	-
Fiscal Services	2,151,092	1,807,129	1,807,129	-
Business Operations	26,303	17,173	17,173	-
Operation and Maintenance of Plant	6,761,340	6,869,097	6,869,096	1
Pupil Transportation	6,071,994	5,708,166	5,708,166	-
Central Services	1,524,112	1,493,020	1,493,020	-
Non-instructional Services	950,047	923,421	923,421	-
Co-Curricular Activities	471,257	843,922	843,922	-
Capital Outlay	306,845	326,692	326,692	-
Debt service:				
Principal Retirement	118,040	118,040	118,040	-
Interest and Fiscal Charges	3,017	3,017	3,017	-
Total Expenditures	80,249,160	79,387,437	79,387,435	2
Excess of Revenues Over Expenditures	1,406,787	4,083,007	4,083,009	2
Other Financing Sources (Uses):				
Sale of Capital Assets	10,000	15,839	15,839	-
Transfers Out	(1,932,900)	(1,814,325)	(1,814,325)	-
Total Other Financing Sources (Uses)	(1,922,900)	(1,798,486)	(1,798,486)	-
Net Change in Fund Balance	(516,113)	2,284,521	2,284,523	2
Fund Balances at Beginning of Fiscal Year	12,343,767	12,343,767	12,343,767	-
Prior Year Encumbrances Appropriated	995,888	995,888	995,888	-
Fund Balances at End of Fiscal Year	\$ 12,823,542	\$ 15,624,176	\$ 15,624,178	\$ 2

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Current Assets:	
Cash and Cash Equivalents	\$ 3,114,120
Total Current Assets	3,114,120
 Total Assets	 3,114,120
Current Liabilities:	
Claims Payable	805,000
Total Current Liabilities	805,000
 Total Liabilities	 805,000
Net Position:	
Unrestricted	2,309,120
Total Net Position	\$ 2,309,120

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 6,024,507
Total Operating Revenues	<u>6,024,507</u>
Operating Expenses:	
Purchased Services	437,194
Claims	3,782,077
Total Operating Expenses	<u>4,219,271</u>
Operating Income	<u>1,805,236</u>
Non-Operating Revenues:	
Interest Revenue	3,884
Total Non-Operating Revenues	<u>3,884</u>
Income Before Transfers	1,809,120
Transfers In	<u>500,000</u>
Change in Fund Net Position	2,309,120
Net Position Beginning of Fiscal Year	-
Net Position End of Fiscal Year	<u><u>\$ 2,309,120</u></u>

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 6,024,507
Cash Payments for Contract Services	(437,194)
Cash Payments for Claims	(2,977,077)
Net Cash Provided by Operating Activities	2,610,236
Cash Flows from Noncapital Financing Activities:	
Transfers In	500,000
Net Cash Provided by Noncapital Financing Activities	500,000
Cash Flows from Investing Activities:	
Interest on Investments	3,884
Net Cash Provided by Investing Activities	3,884
Net Increase in Cash and Cash Equivalents	3,114,120
Cash and Cash Equivalents at Beginning of Fiscal Year	-
Cash and Cash Equivalents at End of Fiscal Year	\$ 3,114,120
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 1,805,236
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Claims Payable	805,000
Net Cash Provided by Operating Activities	\$ 2,610,236

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2018

	Private-Purpose Trust	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 106,620	\$ 85,858
Total Assets	\$ 106,620	\$ 85,858
Liabilities		
Due To Students	-	85,858
Total Liabilities	-	\$ 85,858
Fund Net Position		
Net Position Held for Scholarships	\$ 106,620	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
Additions	
Investment Income	\$ 1,485
Donations	500
Total Additions	1,985
Deductions	
Scholarships Awarded	1,000
Change in Net Position	985
Net Position, Beginning of Fiscal Year	105,635
Net Position, End of Fiscal Year	\$ 106,620

See accompanying notes to the basic financial statements.

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GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – REPORTING ENTITY

The Groveport Madison Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally elected five-member Board form of government consisting of five members elected at-large staggered four year terms. The first official body designated as the Groveport Madison Board of Education was formed in 1848. The District provides educational services as authorized by state and/or federal guidelines.

The Board controls the District's 11 instructional/support facilities staffed by 203 non-certificated personnel and 458 certificated full time personnel who provide services to 6,061 students and other community members.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, 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. The following activities are included within the reporting entity:

Parochial Schools – Within the District Boundaries are Madison Christian and Brice Christian Academy. Current State legislation provides funding to these parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The District accounts for these activities in a special revenue fund for financial reporting purposes.

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. The District had no component units for the fiscal year ended June 30, 2018.

The following entities which perform activities within the District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Parent Teacher Association – The District is not involved in the budgeting or management is not responsible for any debt and has no influence over the organization.

Groveport Community School – The community school began operations in September 2006 and is affiliated with Imagine Schools, a national operator of nonprofit public charter schools. The District is not involved in the budgeting or management of the community school and is not responsible for any debt nor has influence over the community school's operations.

Jointly Governed Organizations

Metropolitan Educational Technology Association – The Metropolitan Educational Technology Association (META), formerly the Metropolitan Educational Council (MEC), is a jointly governed organization. The organization is composed of over one hundred members including school districts, joint vocational schools, educational service centers, and libraries covering 57 counties in Ohio.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY (Continued)

The META helps its members purchase services, insurances, supplies, and other items at a discounted rate. META also provides a variety of services through its data processing center to numerous member districts (“C” sites) around the State of Ohio, with the major emphasis being placed on fiscal services. META also provides services to the District including pupil scheduling, attendance reporting, and grade reporting. The governing board of META is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. META is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for META. Financial statements for META can be obtained at 2100 City Gate Drive, Columbus, Ohio 43219. The amount paid to META during the fiscal year was \$180,318.

Central Ohio Special Education Regional Resource Center – The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, representatives of universities and students and persons with disabilities representations. The District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, and the Early Childhood Services Project. These projects assist the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council. The amount paid to COSERRC during the fiscal year was \$0.

Eastland-Fairfield Career & Technical Schools – The Eastland-Fairfield Career & Technical Schools is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts’ elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Eastland-Fairfield Career & Technical Schools, Dawn Lemley, who serves as Treasurer, at 4300 Amalgamated Place, P.O. Box 419, Groveport, Ohio 43125-0419. The amount paid to Eastland-Fairfield Career & Technical Schools during the fiscal year was \$3,274.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

(a) Fund Accounting

The District’s accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Funds

General Fund — The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund — The Building Fund is used to account for financial resources to be used for state and locally funded projects, most notably the Ohio Facilities Construction Commission project.

Other Governmental Funds — The other governmental funds account for food services, co-curricular activities, federal and state grants, and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Internal Service Funds – Funds provided to account for money received from other funds as payment for providing medical and prescription insurance. Payments are made to a third-party administrator for claims payments, claims administration and stop-loss coverage.

Fiduciary Funds

Fiduciary Funds — Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include private purpose trust and agency funds. Private purpose trust funds account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities, and the District's flexible spending account.

(b) Basis of Presentation

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 the fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus.

With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in 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 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 service expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(c) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual for governmental funds and the accrual basis for proprietary and fiduciary funds.

Revenue Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied, provided they have been advanced or are available to be advanced to the District. Otherwise, they are reported as a deferred inflow of resources. Revenue from payments in lieu of taxes, grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, payments in lieu of taxes, tuition, grants and student fees. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pensions and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15. 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. The amount is deferred and amortized over the shorter of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental funds balance sheet. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. Unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 14 and 15).

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the statement of revenues, expenditures 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 the flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation, are not recognized in governmental funds.

(d) Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. However, the District did not legally adopt a budget for its tax incentive donation program fund. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education.

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

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

(e) Cash and Investments

Monies received by the District are pooled in a central bank account, except for certain construction-related funds, with individual fund balance integrity retained throughout. During the fiscal year, investments consisted of STAR Ohio, money market mutual funds, negotiable certificates of deposit, and federal agency securities.

During fiscal year 2018, the District invested in STAR Ohio. 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 their 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.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during the fiscal year amounted to \$126,689. The Building Fund was credited \$241,464 and the other governmental funds were credited \$12,822.

(f) Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year which services are consumed.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market and donated commodities are presented at fair value. Inventories are recorded on a first-in, first-out basis and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure when purchased. Inventories of governmental funds consist of donated and purchased food held for resale.

(h) Capital Assets and Depreciation

General capital assets are reported in 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 fiscal year. Capital assets acquired before July 1, 2003 are capitalized at an estimated cost using computerized reverse-trending techniques applied against the estimate of current replacement cost. Donated capital assets are recorded at their acquisition values as of the date received.

The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than one year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10 – 40
Buildings and Improvements	10 – 40
Furniture and Equipment	5 – 15
Vehicles	5 – 10

(i) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/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. These transfers are eliminated from the statement of activities.

On fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net position.

(j) Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District's restricted assets balance at fiscal year-end was zero.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Accrued Liabilities and Long-Term Obligations

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, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the fiscal year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(l) Compensated Absences

Vacation benefits and personal leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for benefits through paid time off or some other means. The District records a liability for accumulated unused vacation and personal leave time when earned for all employees.

Compensated absence leave benefits are accrued as a liability using the vesting 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 the accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after 15 years of service.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the funds from which these payments will be made.

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.

(m) Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

(n) Net Position

Net Position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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. At fiscal year-end, none of the District's net position restrictions were the result of enabling legislation.

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

(o) Fund Balance

GASB Statement No. 54, *Fund Balance Reporting* became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In accordance with this guidance, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The District may use the following categories:

Nonspendable - resources that are not in a spendable form (materials and supplies inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that can be used for the specified 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 action (resolution) it employed to previously commit those amounts.

Assigned - resources that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Although no specific resolution has been made, the District Board of Education authorizes the Treasurer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted fund balance/net position are available. The District considers committed, assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

(p) *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 District and that are either unusual in nature or infrequent in occurrence. There were no extraordinary events or special items that occurred during the fiscal year.

(q) *Management Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than an assignment of fund balance (GAAP basis).
4. Advances in
5. and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ 2,928,092
Revenues	63,181
Expenditures	456,703
Encumbrances	(1,135,793)
Fund Reclassifications:	
Public Support Fund	(27,660)
Budgetary Basis	<u><u>\$ 2,284,523</u></u>

NOTE 4 – DEPOSITS AND INVESTMENTS

The deposit and investment of the District's monies is governed by the provisions of the Ohio Revised Code (ORC). In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; STAR Ohio; no-load money market mutual funds; and under limited circumstances, corporate debt interests. Earnings on investments are credited to various funds at the discretion of the Board which is in compliance with ORC Section 3315.01.

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 representing the investments, to the treasurer, or qualified trustee, or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Deposits

Deposits - Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$2,834,807, including \$2,255,471 in STAR Ohio Plus, and the bank balance was \$3,161,600.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Of the District’s bank balance, \$3,061,417 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was uninsured and collateralized. The District has no formal policy concerning custodial credit risk. The District’s financial institution was approved for a collateral rate of 50 percent through the Ohio Pooled Collateral System.

Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

At fiscal year end, the District’s had the following investments:

Investment Type	Measurement Amount	Percent of Total	Investment Maturities	
			Within 1 Year	1 to 3 Years
Money Market Funds	\$ 175,895	0.6%	\$ 175,895	\$ -
STAR Ohio	10,260,153	33.2%	10,260,153	-
Negotiable CD's	7,191,242	23.3%	5,840,917	1,350,325
FNMA	621,906	2.0%	621,906	-
FFCB	2,960,490	9.6%	996,690	1,963,800
FHLMC	9,715,999	31.3%	-	9,715,999
Total	\$ 30,925,685	100.0%	\$ 17,895,561	\$ 13,030,124

In accordance with GASB Statement No. 79, the District’s investment in STAR Ohio is reported at amortized cost. For the fiscal year ended June 30, 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit.

All other investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District reports its money market investment as a level 1 input and all other District investments as Level 2 inputs.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. At fiscal year-end, STAR Ohio was rated AAAm, while the federal agency securities were rated AA+ by Standard & Poor’s and Aaa by Moody’s. The District’s money market funds and negotiable certificates of deposit were unrated. The District has no formal policy concerning credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. The District places no limit on the amount it may invest in any one issuer, however, state statute limits investments in commercial paper and bankers’ acceptances to 25% of the interim monies available for investment at any one time. The District’s exposure to concentration risk is noted in the preceding table.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment’s fair value. As a means of limiting its exposure to fair value losses arising from interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less. The District’s exposure to interest rate risk is noted in the preceding table.

The following is a reconciliation of deposits and investments to the Statement of Net Position as of June 30, 2018:

Investments (summarized above)	\$ 30,925,685
Carrying Amount of District's Deposits	2,834,807
Total Deposits and Investments per Note Disclosure	\$ 33,760,492
Governmental Activities - Cash and Cash Equivalents	\$ 27,148,665
Governmental Activities - Investments	6,419,349
Fiduciary Funds - Cash and Cash Equivalents	192,478
Total Deposits and Investments per Financial Statements	\$ 33,760,492

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility located in the school district. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 – PROPERTY TAXES (Continued)

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property has been eliminated and the tax on the telephone and telecommunications property was eliminated in calendar year 2013. The tax was phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District was fully reimbursed for the lost revenue. The reimbursements began to be phased out in calendar years 2011-2013 but this phase out has been frozen for at least the next budget biennium.

The District receives its property taxes from Franklin County. The County Auditor periodically advances to the District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of fiscal year-end 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 of resources.

At fiscal year-end, the amount of property taxes that had been advanced, or was available to advance, to the General Fund, Bond Retirement Fund and Permanent Improvement Fund was \$14,432,411, \$690,816 and \$491,945, respectively.

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

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

	<u>2017 Second Half Collections</u>		<u>2018 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 777,326,320	92.5%	\$ 858,750,800	93.2%
Public Utility Personal	62,652,480	7.5%	62,644,520	6.8%
Total	\$ 839,978,800	100.0%	\$ 921,395,320	100.0%
Tax rate per \$1,000 of assessed valuation	\$ 65.49		\$ 64.58	

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - TAX ABATEMENTS

Under Community Reinvestment Area (CRA) and other property tax abatements entered into by the Village of Obetz, City of Groveport, and the City of Columbus, the District's property tax revenues were reduced by \$2,614,118, \$6,047,707 and \$31,065 during the fiscal year, respectively. During the fiscal year, the District received \$940,849 and \$478,148 from the City of Groveport and Village of Obetz, respectively.

NOTE 7 – RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, payments in lieu of taxes, intergovernmental (due from other governments), interest, and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year with the exception of the Ohio Facilities Construction Commission Grant, revenue in lieu of taxes and delinquent property and income taxes. The Ohio Facilities Construction Commission Grant monies will be collected over the life of the construction of the new facilities. Payment in lieu of taxes is collected over the term of the agreement. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

During fiscal year 2015, the School District was awarded \$28,285,963 for the construction of a High School from the Ohio Facilities Construction Commission. At June 30, 2018, there was \$1,964,820 still recorded as a receivable.

NOTE 8 – INTERFUND ACTIVITY

(a) Interfund Advances - On an as-needed basis, the District advances cash between funds to eliminate cash deficits. All advances are repaid in the following fiscal year. At fiscal year-end, there were no advances outstanding.

(b) Interfund Transfers - The primary purpose of interfund transfers is to provide supplemental funding other funds in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. During the fiscal year, there were transfers to the debt service fund for debt service payments and to the extracurricular funds for operations.

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GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year follows:

Governmental Activities

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 1,521,786	\$ -	\$ -	\$ -	\$ 1,521,786
Construction in Process	28,992,812	20,840,486	-	(755,524)	49,077,774
Total Nondepreciable Assets	30,514,598	20,840,486	-	(755,524)	50,599,560
Depreciable Capital Assets					
Land Improvements	2,796,801	15,478	(1,321,315)	-	1,490,964
Buildings	45,193,621	184,794	(5,130,590)	-	40,247,825
Furniture and Equipment	13,056,365	3,197,123	(6,588,954)	755,524	10,420,058
Vehicles and Buses	672,925	35,300	(174,939)	-	533,286
Total Depreciable Assets	61,719,712	3,432,695	(13,215,798)	755,524	52,692,133
Less accumulated depreciation					
Land Improvements	(2,579,159)	(28,372)	1,058,779	-	(1,548,752)
Buildings	(20,980,924)	(709,922)	4,711,715	-	(16,979,131)
Furniture and Equipment	(12,086,989)	(847,496)	4,320,267	-	(8,614,218)
Vehicles and Buses	(413,997)	(17,712)	169,323	-	(262,386)
Total accumulated depreciation	(36,061,069)	(1,603,502)	10,260,084	-	(27,404,487)
Depreciable Capital Assets, Net of accumulated depreciation	25,658,643	1,829,193	(2,955,714)	755,524	25,287,646
Total Capital Assets, Net	\$ 56,173,241	\$ 22,669,679	\$ (2,955,714)	\$ -	\$ 75,887,206

Depreciation expense was charged to the governmental functions as follows:

Instruction Regular	\$ 185,655
Instruction Special	17,968
Pupils	5,142
Instructional staff	36,643
School Administration	20,259
Fiscal Services	3,175
Operations and Maintenance	1,245,327
Noninstructional Services	32,238
Co-Curricular activities	57,095
Total depreciation expense	\$ 1,603,502

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – LONG TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2018 is as follows:

Governmental Activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2011 Energy Note	\$ 4,101,244	\$ -	\$ (357,754)	\$ 3,743,490	\$ 368,486
Series 2014 GO Bonds	33,120,000	-	(8,445,000)	24,675,000	295,000
Series 2014 GO Bonds Premium	778,007	-	(274,100)	503,907	-
Series 2015 COPs:					
School Facilities Construction	9,395,000	-	(380,000)	9,015,000	390,000
School Facilities Discount	(10,370)	-	561	(9,809)	-
Refunding	3,525,000	-	(285,000)	3,240,000	290,000
Refunding Premium	9,770	-	(931)	8,839	-
Series 2017 Athletic Facility Bond	660,800	-	(114,800)	546,000	182,000
Series 2017 UTGO Refunding Bond:					
Term Bonds	-	8,060,000	-	8,060,000	105,000
Capital Appreciaton Bonds	-	169,732	-	169,732	-
CABs Accumulated Accretion	-	8,374	-	8,374	-
Term Bonds Premium	-	556,996	(10,315)	546,681	-
CABs Premium	-	829,713	(20,253)	809,460	-
Total Bonds and Notes	51,579,451	9,624,815	(9,887,592)	51,316,674	1,630,486
Net Pension Liability					
SERS	18,093,169	-	(3,581,900)	14,511,269	-
STRS	81,345,088	-	(21,196,510)	60,148,578	-
Total Net Pension Liability	99,438,257	-	(24,778,410)	74,659,847	-
Net OPEB Liability					
SERS	7,095,490	-	(481,046)	6,614,444	-
STRS	12,996,612	-	(3,117,620)	9,878,992	-
Total Net OPEB Liability	20,092,102	-	(3,598,666)	16,493,436	-
Compensated Absences	2,171,691	526,264	(376,091)	2,321,864	230,631
Capital Lease	350,014	-	(118,040)	231,974	114,329
Total Long Term Liabilities	\$ 173,631,515	\$ 10,151,079	\$ (38,758,799)	\$ 145,023,795	\$ 1,975,446

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – LONG TERM LIABILITIES (Continued)

Series 2011 Energy Conservation Note

On December 28, 2011, the District issued \$5,739,650 in unvoted general obligation notes for the purpose of purchasing energy conservation measures throughout the District. The notes were issued for a fifteen year period with an interest rate of 3% and a final maturity at December 1, 2026. These notes are a general obligation of the District for which the full faith and credit of the District is pledged for repayment.

Series 2012 Certificates of Participation - HVAC Lease Purchase Agreement

On May 17, 2012, the District entered into a series of one-year renewable lease-purchase agreements with Huntington National Bank (the Bank), whereas the District leases certain parcels of land to the Bank, and subsequently purchases and installs energy conservation measures at the school facilities located on the land (the Project Facilities), and the Bank, in turn, subleases the land, and leases the Project Facilities to the District. The Bank agreed to pre-pay \$4,445,895 in rental payments to fund the construction project. In turn, the District agreed to pay \$4,445,895 under the sublease at an interest rate of 3.15% maturing June 1, 2027. The lease was refunded in November 2015 paying off balance of the amount outstanding.

Series 2014 School Facilities Improvement Bonds

On August 7, 2014, the District issued \$33,303,594 in general obligation bonds for the purpose of carrying out a School Facilities Commission Project in the District. The bonds were issued for a thirty-eight year period with interest rates ranging from .35% to 5.0% and a final maturity at October 1, 2052. These bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds were issued at a premium in the amount of \$832,795.

Series 2015 Certificates of Participation

On December 1, 2015, the District entered into a series of one-year renewable lease-purchase agreements with Buckeye Leasing Services (the Bank), whereas the District agrees to finance the acquisition, construction, improvement, furnishing, and equipping of school facilities and lease the school facilities to the Bank, and the Bank, in turn, agrees to sublease the school facilities back to the District. The Bank agreed to pre-pay \$13,575,000 in rental payments. Of this amount, \$9,770,000 will be used to fund the acquisition, construction, improvement, furnishing, and equipping of school facilities and \$3,805,000 was used to refund the Series 2012 HVAC Lease Purchase Agreement. In turn, the District agrees to pay \$13,575,000 under the sublease at interest rates ranging from 2.0% to 4.0% maturing December 31, 2035.

Series 2017 Athletic Facility Bond

On June 14, 2017, the District issued \$660,800 in general obligation bonds for the purpose of carrying out a Athletic Facility Project in the District. The bonds were issued for a four year period with an interest rate of 3.45% and a final maturity of February 1, 2021. These bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment.

Series 2017 UTGO Refunding Bonds

On October 12, 2017, the District issued \$8,229,732 in refunding bond for the purpose of refunding the 2014 School Facilities Improvement Bonds. The bonds were issued for a twenty-seven year period with an interest rate of 3.62% and a final maturity at October 1, 2044. These bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The bonds were issued at a premium in the amount of \$1,386,709.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 10 – LONG TERM LIABILITIES (Continued)

Principal and interest requirements to retire general obligation debt at June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,630,486	\$ 1,793,323	\$ 3,423,809
2020	1,646,541	1,781,764	3,428,305
2021	1,682,927	1,733,377	3,416,304
2022	1,582,655	1,688,155	3,270,810
2023	1,469,734	1,646,264	3,115,998
2024-2028	8,277,147	7,451,055	15,728,202
2029-2033	6,275,000	6,184,978	12,459,978
2034-2038	6,580,000	4,772,307	11,352,307
2039-2043	3,733,106	3,924,075	7,657,181
2044-2048	7,250,000	2,687,550	9,937,550
2049-2053	9,330,000	964,400	10,294,400
Total	<u>\$ 49,457,596</u>	<u>\$ 34,627,248</u>	<u>\$ 84,084,844</u>

Debt service relating to the notes and the certificates of participation are recorded as expenditures in the Permanent Improvement Fund. The general obligation bonds will be paid from the Bond Retirement Fund. Obligations related to employee compensation are paid from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from the employee's service. For additional information related to the net pension liability and net OPEB liability see Notes 14 and 15.

The Ohio Revised Code (ORC) provides that voted net general obligation debt of the District shall never exceed 9% and that unvoted indebtedness shall not exceed 1/10 of 1% of the total assessed valuation of the District. At fiscal year-end, the District's voted and unvoted debt limits were \$82,925,579 and \$921,395, respectively, and total applicable debt outstanding was within these limits.

NOTE 11 – CAPITAL LEASE OBLIGATIONS

The District has entered into a lease agreement as lessee for financing the acquisition of a modular unit. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The asset acquired through this capital lease had a book value of \$231,974 at June 30, 2018. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 114,329	\$ 6,727	\$ 121,056
2020	117,645	3,412	121,057
Total	<u>\$ 231,974</u>	<u>\$ 10,139</u>	<u>\$ 242,113</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 – OPERATING LEASE

During fiscal year 2005, the District entered into a lease agreement with the CIC Properties, Inc. for Office space to be utilized by the District’s administration. The initial term of the lease commenced August 1, 2005 and was scheduled to end on July 31, 2015, however, the lease was extended through July 31, 2016, then again through May 10, 2017. Total rent expense for fiscal year 2018 was \$0.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, the District contracted with Argonaut Insurance Company, administered by McGowan Governmental Underwriters, for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. Property is also protected by Argonaut Insurance Company and holds a \$2,500 deductible.

The District contracts with Delta Dental for dental coverage and Prudential to provide life insurance coverage for employees. Post-employment health care is provided to plan participants or their beneficiaries through their respective retirement systems. As such, no funding provisions are required by the District.

On January 1, 2015, the District became self-insured for workers’ compensation in connection with formalized risk management programs in an effort to minimize risk exposure and control claims and premium costs. The District contracts with Hunter consulting Co. to be the third-party administrator for the insurance program. The District paid claims in the amount of \$33,635 during the fiscal year from funds benefitting from the employees’ service. The District has purchased stop loss coverage for individual employee claim amounts exceeding the contracted threshold.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior fiscal year.

The District maintains an internal service “self-insurance” health insurance fund in connection with formalized risk management programs in an effort to minimize risk exposure and control claims and premium costs. The District, effective January 1, 2018, contracted with Anthem to be the third party administrator for the District’s health insurance program.

A claims liability of \$805,000 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. The District has purchased stop loss coverage for individual employee claim amounts exceeding \$175,000. Unpaid claims at fiscal year-end are recorded as current claims payable because they would be due within 60 days from the end of the fiscal year.

A summary of the changes in the self-insurance claims liability for the fiscal year ended June 30 as follows:

	2018
Claims Liability at July 1	\$ -
Incurred Claims	3,782,077
Claims Paid	(2,977,077)
Claims Liability at June 30	<u>\$ 805,000</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – PENSION BENEFITS

Net Pension Liability

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

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

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

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

The proportionate share of each 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 fiscal year is included in due to other governments on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund..

The District's contractually required contribution to SERS was \$872,317 for fiscal year 2018. Of this amount \$105,406 is reported as a due to other governments.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$4,183,291 for fiscal year 2018. Of this amount, \$637,564 is reported as a due to other governments.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - 2018	\$14,511,269	\$60,148,578	\$74,659,847
Proportion of the Net Pension Liability - 2018	0.242875%	0.253202%	
Proportion of the Net Pension Liability - 2017	<u>0.247206%</u>	<u>0.243017%</u>	
Change in proportionate share	<u>-0.004331%</u>	<u>0.010185%</u>	
Pension Expense	(\$381,676)	(\$22,283,155)	(\$22,664,831)

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 624,515	\$ 2,322,657	\$ 2,947,172
Change of assumptions	750,388	13,155,155	13,905,543
Change in proportionate share	362,260	4,037,117	4,399,377
District contributions subsequent to the measurement date	<u>872,317</u>	<u>4,183,291</u>	<u>5,055,608</u>
Total Deferred Outflows of Resources	<u>\$ 2,609,480</u>	<u>\$ 23,698,220</u>	<u>\$ 26,307,700</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 484,774	\$ 484,774
Net difference between projected and actual earnings on pension plan investments	68,881	1,984,974	2,053,855
Change in proportionate share	<u>194,783</u>	<u>-</u>	<u>194,783</u>
Total Deferred Inflows of Resources	<u>\$ 263,664</u>	<u>\$ 2,469,748</u>	<u>\$ 2,733,412</u>

\$5,055,608 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources 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:			
2019	\$751,272	\$3,884,219	\$4,635,491
2020	895,923	7,339,283	8,235,206
2021	190,287	4,173,248	4,363,535
2022	<u>(363,983)</u>	<u>1,648,431</u>	<u>1,284,448</u>
Total	<u>\$1,473,499</u>	<u>\$17,045,181</u>	<u>\$18,518,680</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<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	\$20,137,869	\$14,511,269	\$9,797,843

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
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NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	1.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$86,220,686	\$60,148,578	\$38,186,521

Changes Between Measurement Date and Report Date The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the Cost of Living Adjustment was reduced to zero.

NOTE 15 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

Plan Description – School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$142,645.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
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NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$174,952 for fiscal year 2018. Of this amount \$144,633 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$6,614,444	\$9,878,992	\$16,493,436
Proportion of the Net OPEB Liability - Current Measurement Date	0.2464639%	0.25320158%	
Proportion of the Net OPEB Liability - Prior Measurement Date	0.2489323%	0.24301700%	
Change in Proportionate Share	-0.0024684%	0.0101846%	
OPEB Expense	\$350,079	(\$2,905,598)	(\$2,555,519)

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$570,276	\$570,276
Change in proportionate share	0	435,739	435,739
District contributions subsequent to the measurement date	<u>174,952</u>	<u>0</u>	<u>174,952</u>
Total Deferred Outflows of Resources	<u>\$174,952</u>	<u>\$1,006,015</u>	<u>\$1,180,967</u>
Deferred Inflows of Resources			
Changes of assumptions	\$627,677	\$795,785	\$1,423,462
Net difference between projected and actual earnings on pension plan investments	17,467	422,252	439,719
Change in proportionate share	<u>51,645</u>	<u>0</u>	<u>51,645</u>
Total Deferred Inflows of Resources	<u>\$696,789</u>	<u>\$1,218,037</u>	<u>\$1,914,826</u>

\$174,952 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$250,498)	(\$53,006)	(\$303,504)
2020	(250,498)	(53,006)	(303,504)
2021	(250,498)	(53,005)	(303,503)
2022	<u>54,705</u>	<u>(53,005)</u>	<u>1,700</u>
Total	<u>(\$696,789)</u>	<u>(\$212,022)</u>	<u>(\$908,811)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	3.63 percent
Measurement Date	2.98 percent
Prior Measurement Date	
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.50 percent decreasing to 4.00 percent) and higher (8.50 percent decreasing to 6.00 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$7,987,783	\$6,614,444	\$5,526,408

	1% Decrease (6.50% decreasing to 4.00%)	Current Discount Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
District's proportionate share of the net OPEB liability	\$5,367,125	\$6,614,444	\$8,265,291

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 to 11.00 percent initial, 4.50 percent ultimate

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10 percent to 1.90 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – DEFINED BENEFIT OPEB PLANS (continued)

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

The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$13,262,387	\$9,878,992	\$7,205,003
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$6,863,500	\$9,878,992	\$13,847,731

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 16 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.
- (b) **Foundation Funding** - School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.
- (c) **Litigation** - The District is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 17 – SET ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of an equal amount for the acquisition and construction of capital improvements. The following cash basis information describes the change in the year end set-aside amounts for each reserve:

	Capital Acquisition
Set-aside cash balance as of June 30, 2017	\$ -
Current fiscal year set-aside requirement	1,031,733
Offset: Permanent Improvement Levy	(1,331,360)
Total	\$ (299,627)
 Set Aside Restricted Balance June 30, 2018	 \$ -

Capital acquisition offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. During fiscal year 2015, the District issued \$33,303,594 in capital related debt based on a building project under taken by the District. These proceeds may be used as qualifying disbursements to reduce the capital acquisition to zero for future fiscal years. The District still has \$33,238,391 in qualifying disbursements that may be used to reduce the set-aside requirement for future fiscal years.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 18 – COMPLIANCE AND ACCOUNTABILITY

Fund Balance Deficits - Fund balances at fiscal year-end included the following individual deficits:

Fund Name	Deficit
Other Governmental Funds	
Title VI-B IDEA	\$ (25,946)
Title III Limited English Proficiency	(5,958)
Title I Disadvantaged Children	(62,383)
IDEA Preschool	(888)
Title II Improving Teacher Quality	(3,376)
Miscellaneous Federal Grant	(7,550)
	\$ (106,101)

These fund deficits resulted from the application of accounting principles generally accepted in the United States of America. The General Fund is liable for the deficits in the Other Governmental Funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 19 – ENCUMBRANCES

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end were as follows:

	Encumbrances
General Fund	\$ 1,135,794
Building Fund	9,491,097
Other Governmental Funds	223,054
Total	\$ 10,849,945

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year ending June 30, 2018, the District has implemented the following:

GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement had the following effect on net position as reported June 30, 2017:

	Governmental Activities
Net Position June 30, 2017	\$ (17,449,739)
Adjustments:	
Net OPEB Liability	(20,092,102)
Deferred Outflows - Payments Subsequent to Measurement Date	134,336
Restated Net Position June 30, 2017	\$ (37,407,505)

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

Other GASB Statements implemented in fiscal year 2018 are as follows:

GASB Statement No. 85 “Omnibus 2017” addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the District.

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

REQUIRED SUPPLEMENTARY INFORMATION

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
THE SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST FIVE FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.242875%	0.247206%	0.240902%	0.229231%	0.229231%
District's Proportionate Share of the Net Pension Liability	\$ 14,511,269	\$ 18,093,169	\$ 13,746,085	\$ 11,601,250	\$ 13,631,633
District's Covered Payroll	\$ 7,910,800	\$ 7,780,269	\$ 7,295,735	\$ 6,498,788	\$ 7,258,315
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	183.44%	232.55%	188.41%	178.51%	187.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
THE SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST FIVE FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.253202%	0.243017%	0.234635%	0.232747%	0.232747%
District's Proportionate Share of the Net Pension Liability	\$ 60,148,578	\$ 81,345,088	\$ 64,846,295	\$ 56,612,065	\$ 67,435,921
District's Covered Payroll	\$ 26,371,953	\$ 26,658,538	\$ 25,504,227	\$ 23,047,120	\$ 23,907,742
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	228.08%	305.14%	254.26%	245.64%	282.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 872,317	\$ 1,107,512	\$ 1,089,238	\$ 961,578
Contributions in Relation to the Contractually Required Contribution	<u>\$ 872,317</u>	<u>\$ 1,107,512</u>	<u>\$ 1,089,238</u>	<u>\$ 961,578</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,461,607	\$ 7,910,800	\$ 7,780,269	\$ 7,295,735
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$ 900,732	\$ 1,004,551	\$ 1,006,315	\$ 910,692	\$ 791,034	\$ 470,636
\$ 900,732	\$ 1,004,551	\$ 1,006,315	\$ 910,692	\$ 791,034	\$ 470,636
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,498,788	\$ 7,258,315	\$ 7,481,899	\$ 7,244,962	\$ 5,842,200	\$ 4,782,886
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 4,183,291	\$ 3,692,073	\$ 3,732,195	\$ 3,570,592
Contributions in Relation to the Contractually Required Contribution	<u>\$ 4,183,291</u>	<u>\$ 3,692,073</u>	<u>\$ 3,732,195</u>	<u>\$ 3,570,592</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 29,880,652	\$ 26,371,953	\$ 26,658,538	\$ 25,504,227
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$ 2,996,126	\$ 3,108,006	\$ 3,220,548	\$ 3,247,299	\$ 3,337,687	\$ 3,395,419
\$ 2,996,126	\$ 3,108,006	\$ 3,220,548	\$ 3,247,299	\$ 3,337,687	\$ 3,395,419
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 23,047,120	\$ 23,907,742	\$ 24,773,444	\$ 24,979,222	\$ 25,674,514	\$ 26,118,607
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
THE SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.2464639%	0.2489323%
District's Proportionate Share of the Net OPEB Liability	\$ 6,614,444	\$ 7,095,490
District's Covered Payroll	\$ 7,910,800	\$ 7,780,269
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.61%	91.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
THE SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.25320158%	0.24301700%
District's Proportionate Share of the Net OPEB Liability	\$ 9,878,992	\$ 12,996,612
District's Covered Payroll	\$ 26,371,953	\$ 26,658,538
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.46%	48.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (1)	\$ 174,952	\$ 134,336	\$ 123,453	\$ 179,765
Contributions in Relation to the Contractually Required Contribution	<u>\$ 174,952</u>	<u>\$ 134,336</u>	<u>\$ 123,453</u>	<u>\$ 179,765</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,461,607	\$ 7,910,800	\$ 7,780,269	\$ 7,295,735
Contributions as a Percentage of Covered Payroll (1)	2.71%	1.70%	1.59%	2.46%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 91,727	\$ 100,231	\$ 109,765	\$ 164,399	\$ 86,654	\$ 35,872
\$ 91,727	\$ 100,231	\$ 109,765	\$ 164,399	\$ 86,654	\$ 35,872
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,498,788	\$ 7,258,315	\$ 7,481,899	\$ 7,244,962	\$ 5,842,200	\$ 4,782,886
1.41%	1.38%	1.47%	2.27%	1.48%	0.75%

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 29,880,652	\$ 26,371,953	\$ 26,658,538	\$ 25,504,227
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 300,953	\$ 239,077	\$ 247,734	\$ 249,792	\$ 256,745	\$ 261,186
<u>\$ 300,953</u>	<u>\$ 239,077</u>	<u>\$ 247,734</u>	<u>\$ 249,792</u>	<u>\$ 256,745</u>	<u>\$ 261,186</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 23,047,120	\$ 23,907,742	\$ 24,773,444	\$ 24,979,222	\$ 25,674,514	\$ 26,118,607
1.31%	1.00%	1.00%	1.00%	1.00%	1.00%

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Pension Liability

School Employees Retirement System

Changes in benefit terms:

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions:

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2018.

State Teachers Retirement System

Changes in benefit terms:

For fiscal year 2018, the COLA was reduced to zero.

Changes in assumptions:

For fiscal year 2018, the STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net OPEB Liability

School Employees Retirement System

Changes in Assumptions:

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

State Teachers Retirement System

Changes in Assumptions:

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	N/A	10.553	\$ 519,346	\$ -
National School Lunch Program	N/A	10.555	1,575,490	196,843
Summer Food Service Program for Children	N/A	10.559	21,933	-
Total U.S. Department of Agriculture			<u>2,116,769</u>	<u>196,843</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	N/A	84.010	2,367,817	-
Special Education Cluster:				
Special Education Grants to States	N/A	84.027	1,504,672	-
Special Education Preschool Grants	N/A	84.173	31,899	-
Total Special Education Cluster			<u>1,536,571</u>	<u>-</u>
English Language Acquisition Grants	N/A	84.365	49,765	-
Improving Teacher Quality State Grants	N/A	84.367	278,256	-
Student Support and Academic Enrichment Program	N/A	84.424	20,483	-
Total U.S. Department of Education			<u>4,252,892</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 6,369,661</u>	<u>\$ 196,843</u>

The accompanying notes are an integral part of this schedule.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Groveport Madison Local School District, Franklin County (the District) under programs of the federal government for the fiscal year ended June 30, 2018. 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 fair value. The District allocated donated commodities to the respective program that benefited from use of those donated food commodities.

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

Groveport Madison Local School District
Franklin County
4400 Marketing Place, Suite B
Groveport, Ohio 43125

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 Groveport Madison Local School District, Franklin County, (District) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2018 wherein we noted the District adopted GASB Statement No. 75 as disclosed in Note 20.

Internal Control Over Financial Reporting

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

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

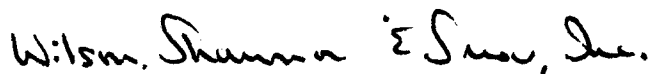
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

Compliance and Other Matters

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

Purpose of this Report

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



December 21, 2018
Newark, Ohio

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

Groveport Madison Local School District
Franklin County
4400 Marketing Place, Suite B
Groveport, Ohio 43125

To the Board of Education:

Report on Compliance for The Major Federal Program

We have audited the Groveport Madison Local 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 Groveport Madison Local School District's major federal program for the fiscal year ended June 30, 2018. 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 programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 Groveport Madison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Wilson, Shuman & Sons, Inc.

December 21, 2018
Newark, Ohio

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515**

JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster/CFDA #84.027 and #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	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 FOR FEDERAL AWARDS

None.



Administrative Offices
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Groveport, OH 43125
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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)**

JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Cash Management	Corrective Action Taken and Finding is Fully Corrected.	Not Applicable.

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OHIO AUDITOR OF STATE KEITH FABER



GROVEPORT MADISON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2019**