

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
SINGLE AUDIT
JULY 1, 2016 – JUNE 30, 2017**





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Groveport Madison Local School District, Franklin County, prepared by Wilson, Shannon & Snow Inc., for the audit period July 1, 2016 through June 30, 2017. 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 "Dave Yost".

Dave Yost
Auditor of State

January 25, 2018

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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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, the discretely presented component unit, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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.

Groveport Madison Local School District
Franklin County
Independent Auditor's Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Groveport Madison Local School District, Franklin County, Ohio, as of June 30, 2017, and the respective changes in financial position 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of 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.

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.

Groveport Madison Local School District
Franklin County
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 26, 2017

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GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and 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 \$17.4 million (net position), an increase of \$1.7 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 \$47.3, a decrease of \$9.0 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 two categories: governmental funds and fiduciary funds.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
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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.

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 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 \$17.4 million at the close of the current fiscal year.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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A comparative analysis of fiscal year 2017 to 2016 follows for the Statement of Net Position:

Governmental Activities

	<u>2017</u>	<u>2016</u>	Percent Change
Current Assets	\$ 91,821,687	\$ 111,192,144	-17.4%
Capital Assets, Net	56,173,241	28,070,107	100.1%
Total Assets	<u>147,994,928</u>	<u>139,262,251</u>	<u>6.3%</u>
Deferred Outflows of Resources	<u>20,632,259</u>	<u>8,806,963</u>	<u>134.27%</u>
Current Liabilities	11,154,825	9,151,177	21.9%
Long-term Liabilities			
Other Long-term Liabilities	54,101,156	53,819,596	0.5%
Net Pension Liability	<u>99,438,257</u>	<u>78,592,380</u>	<u>26.5%</u>
Total Liabilities	<u>164,694,238</u>	<u>141,563,153</u>	<u>16.3%</u>
Deferred Inflows of Resources	<u>21,382,688</u>	<u>25,616,135</u>	<u>-16.53%</u>
Net Investment in Capital Assets	20,993,566	10,699,557	96.2%
Restricted	20,323,148	28,532,429	-28.8%
Unrestricted	<u>(58,766,453)</u>	<u>(58,342,060)</u>	<u>-0.7%</u>
Total Net Position	<u>\$ (17,449,739)</u>	<u>\$ (19,110,074)</u>	<u>-8.7%</u>

Current Assets decreased significantly and Capital Assets, Net 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.

Net Pension Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources all changed significantly in comparison with the prior fiscal year-end. These changes are primarily the result of a change in actuarial assumptions and the difference between expected and actual investment returns, as reported by the pension systems.

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.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
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A comparative analysis of fiscal year 2017 to 2016 follows for the Changes in Net Position:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Program Revenues			
Charges for Services	\$ 2,213,997	\$ 2,329,923	-5.0%
Operating Grants and Contributions	7,052,127	6,668,485	5.8%
General Revenues			
Property Taxes	34,879,661	35,657,264	-2.2%
Payments in Lieu of Taxes	2,198,536	2,101,151	4.6%
Unrestricted Grants and Entitlements	44,347,890	41,956,993	5.7%
Investment Earnings	277,906	312,331	-11.0%
Miscellaneous	592,259	413,552	43.2%
Total Revenues	<u>91,562,376</u>	<u>89,439,699</u>	<u>2.4%</u>
Program Expenses			
Instructional	54,069,748	47,629,156	13.5%
Support Services	30,281,070	27,923,164	8.4%
Co-Curricular Activities	1,081,821	962,492	12.4%
Non-instructional Services	3,468,301	3,301,769	5.0%
Interest and Fiscal Charges	1,944,166	2,256,615	-13.8%
Total Expenses	<u>90,845,106</u>	<u>82,073,196</u>	<u>10.7%</u>
Special Item	<u>943,065</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,660,335	7,366,503	-77.5%
Net Position, Beginning of Fiscal Year	<u>(19,110,074)</u>	<u>(26,476,577)</u>	
Net Position, End of Fiscal Year	<u>\$ (17,449,739)</u>	<u>\$ (19,110,074)</u>	

Unrestricted Grants and Entitlements increased in comparison with the prior fiscal year. This increase is primarily the result of an increase in Foundation funding from the Ohio Department of Education.

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

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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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 2017 to 2016 follows:

	Total Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2017	Net Cost of Services 2016
Program Expenses				
Instructional	\$ 54,069,748	\$ 47,629,156	\$ 50,090,268	\$ 43,931,104
Support Services	30,281,070	27,923,164	28,616,795	26,399,943
Non-instructional Services	3,468,301	3,301,769	67,077	(179,641)
Co-Curricular Activities	1,081,821	962,492	860,676	666,767
Interest and Fiscal Charges	1,944,166	2,256,615	1,944,166	2,256,615
Total	\$ 90,845,106	\$ 82,073,196	\$ 81,578,982	\$ 73,074,788

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 \$81.6 million in support.

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.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS
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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 \$47.3 million, an decrease of \$9.0 million from the prior fiscal year.

The schedule below indicates the fund balance and the total change in fund balance for June 30, 2017 and 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change
General Fund	\$ 20,666,192	\$ 15,078,440	\$ 5,587,752
Building Fund	22,659,120	37,369,575	(14,710,455)
Other Governmental Funds	3,973,442	3,840,488	132,954
Total	<u>\$ 47,298,754</u>	<u>\$ 56,288,503</u>	<u>\$ (8,989,749)</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 \$8.6 million, while total fund balance was \$20.7 million.

A comparative analysis of fiscal year 2017 to 2016 General Fund revenues is as follows:

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Property Taxes	\$ 33,723,354	\$ 32,724,157	3.1%
Payments in Lieu of Taxes	2,127,035	2,814,486	-24.4%
Intergovernmental	44,199,961	41,807,262	5.7%
Investment Income	78,678	41,966	87.5%
Tuition and Fees	862,862	1,011,137	-14.7%
Charges for Services	789,378	594,049	32.9%
Other	703,870	345,427	103.8%
Total	<u>\$ 82,485,138</u>	<u>\$ 79,357,794</u>	<u>3.9%</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. Intergovernmental revenues increased in comparison with the prior fiscal year. This increase is primarily the result of the increase in Foundation funding from the Ohio Department of Education.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS
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A comparative analysis of fiscal year 2017 to 2016 General Fund expenditures is as follows:

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Instruction	\$ 48,950,271	\$ 45,215,929	8.3%
Support Services	26,133,509	25,028,501	4.4%
Non-instructional Services	207,074	193,049	7.3%
Co-curricular Activities	556,795	732,966	-24.0%
Capital Outlay	1,472,662	170,602	763.2%
Total	<u>\$ 77,320,311</u>	<u>\$ 71,341,047</u>	<u>8.4%</u>

Total Expenses also increased significantly 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 \$14.7 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.

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 an insignificant variance between the District's final appropriations and actual budgetary expenditures.

Capital Assets

At fiscal year-end, the District had approximately \$56.2 million in capital assets, net of accumulated depreciation, a \$28.1 million increase from the previous year. This increase represents the amount by which capital outlays (\$29.6 million) exceeded current year depreciation (\$1.5 million) and deletions (\$1,200). Detailed information regarding capital asset activity can be found in Note 9 to the basic financial statements.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION & ANALYSIS
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Debt

At fiscal year-end, the District had \$51.6 million in outstanding long-term debt, a decrease of \$543,818 in comparison with the prior fiscal year. This decrease represents the amount in which current year principal payments and premium amortization, totaling \$1.2 million, exceeded new debt issuances, totaling \$660,800. 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 is expected to open 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, 2017

	Primary Government Governmental Activities	Component Unit Groveport Madison Cruiser Academy
Assets:		
Cash and Cash Equivalents	\$ 22,348,361	\$ 141,794
Investments	19,570,690	-
Property Taxes Receivable	36,366,062	-
Payments in Lieu of Taxes Receivable	1,448,016	-
Accounts Receivable	380,128	-
Interest Receivable	56,249	-
Due From Other Governments	11,623,051	66,984
Inventory Held for Resale	29,130	-
Nondepreciable Capital Assets	30,514,598	-
Depreciable Capital Assets, Net	25,658,643	-
Total Assets	147,994,928	208,778
Deferred Outflows of Resources:		
Pension	20,632,259	-
Total Deferred Inflows of Resources	20,632,259	-
Liabilities:		
Accounts Payable	2,567,425	-
Accrued Wages and Benefits Payable	6,191,999	-
Due To Other Governments	1,193,435	208,778
Unearned Revenue	9,205	-
Accrued Interest Payable	401,925	-
Retainage Payable	790,836	-
Long-Term Liabilities:		
Due Within One Year	1,738,774	-
Due in More Than One Year		
Other Amounts Due in More Than One Year	52,362,382	-
Net Pension Liability	99,438,257	-
Total Liabilities	164,694,238	208,778
Deferred Inflows of Resources:		
Property and Other Local Taxes	21,382,688	-
Total Deferred Inflows of Resources	21,382,688	-
Net Position:		
Net Investment in Capital Assets	20,993,566	-
Restricted:		
Food Services	1,180,872	-
Permanent Improvements	710,950	-
Capital Projects	17,341,304	-
Co-Curricular Activities	78,504	-
State Funded Programs	72,027	-
Federally Funded Programs	24,953	-
Debt Service	466,113	-
Classroom Facilities Maintenance	448,425	-
Unrestricted	(58,766,453)	-
Total Net Position	\$ (17,449,739)	\$ -

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, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental	Component Unit
				Governmental Activities	Groveport Madison Cruiser Academy
Governmental Activities					
Instruction					
Regular	\$ 38,919,997	\$ 1,317,184	\$ 328,402	\$ (37,274,411)	\$ -
Special	15,015,361	237,568	2,062,070	(12,715,723)	-
Other	134,390	2,227	32,029	(100,134)	-
Support Services					
Pupils	5,148,191	-	437,109	(4,711,082)	-
Instructional Staff	1,327,038	-	44,264	(1,282,774)	-
Board of Education	752,089	-	-	(752,089)	-
Administration	6,507,700	37,546	581,077	(5,889,077)	-
Fiscal	2,014,791	-	-	(2,014,791)	-
Business	93,892	-	-	(93,892)	-
Operation and Maintenance of Plant	7,066,482	-	34,505	(7,031,977)	-
Pupil Transportation	5,806,621	-	511,774	(5,294,847)	-
Central	1,564,266	-	18,000	(1,546,266)	-
Non-instructional Services	3,468,301	409,668	2,991,556	(67,077)	-
Co-Curricular Activities	1,081,821	209,804	11,341	(860,676)	-
Interest and Fiscal Charges	1,944,166	-	-	(1,944,166)	-
Total Governmental Activities	90,845,106	2,213,997	7,052,127	(81,578,982)	-
Component Unit					
Groveport Madison Cruiser Academy	\$ 972,820	\$ -	\$ 144,015	-	(828,805)
General Revenues:					
Property Taxes Levied for:					
General Purposes				32,113,971	-
Bond Retirement				1,621,895	-
Permanent Improvements				1,143,795	-
Payments in Lieu of Taxes				2,198,536	-
Unrestricted Grants and Entitlements				44,347,890	1,023,627
Investment Earnings				277,906	-
Miscellaneous				592,259	370
Total General Revenues				82,296,252	1,023,997
Special Item				943,065	(948,969)
Change in Net Position				1,660,335	(753,777)
Net Position Beginning of Fiscal Year				(19,110,074)	753,777
Net Position End of Fiscal Year				\$ (17,449,739)	\$ -

See accompanying notes to the basic financial statements.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 10,437,229	\$ 8,680,571	\$ 3,230,561	\$ 22,348,361
Investments	2,967,758	16,602,932	-	19,570,690
Receivables:				
Property Taxes	33,510,568	-	2,855,494	36,366,062
Payments in Lieu of Taxes	1,448,016	-	-	1,448,016
Accounts	380,128	-	-	380,128
Interest	23,742	32,507	-	56,249
Due From Other Governments	659,575	10,644,198	319,278	11,623,051
Inventory Held for Resale	-	-	29,130	29,130
Total Assets	<u>\$ 49,427,016</u>	<u>\$ 35,960,208</u>	<u>\$ 6,434,463</u>	<u>\$ 91,821,687</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 539,024	\$ 1,866,054	\$ 162,347	\$ 2,567,425
Accrued Wages and Benefits Payable	5,815,358	-	376,641	6,191,999
Due to Other Governments	1,095,850	-	97,585	1,193,435
Unearned Revenue	-	-	9,205	9,205
Compensated Absences Payable	27,371	-	-	27,371
Retainage Payable	-	790,836	-	790,836
Total Liabilities	<u>7,477,603</u>	<u>2,656,890</u>	<u>645,778</u>	<u>10,780,271</u>
Deferred Inflows of Resources:				
Unavailable Revenue	1,538,654	10,644,198	177,122	12,359,974
Property and Other Local Taxes	19,744,567	-	1,638,121	21,382,688
Total Deferred Inflows of Resources	<u>21,283,221</u>	<u>10,644,198</u>	<u>1,815,243</u>	<u>33,742,662</u>
Fund Balances:				
Restricted:				
Food Services	-	-	1,180,872	1,180,872
Permanent Improvements	-	-	704,685	704,685
Capital Projects	-	22,659,120	-	22,659,120
Co-Curricular Activities	-	-	78,504	78,504
State Funded Programs	-	-	72,027	72,027
Federally Funded Programs	-	-	4,747	4,747
Debt Service	-	-	1,621,586	1,621,586
Classroom Facilities Maintenance	-	-	448,425	448,425
Assigned:				
Public School Support	100,506	-	-	100,506
Instructional Services	112,591	-	-	112,591
Support Services	310,481	-	-	310,481
Capital Outlay	35,995	-	-	35,995
Future Appropriations	11,502,029	-	-	11,502,029
Unassigned	8,604,590	-	(137,404)	8,467,186
Total Fund Balances	<u>20,666,192</u>	<u>22,659,120</u>	<u>3,973,442</u>	<u>47,298,754</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 49,427,016</u>	<u>\$ 35,960,208</u>	<u>\$ 6,434,463</u>	<u>\$ 91,821,687</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, 2017

Total Governmental Fund Balances \$ 47,298,754

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. 56,173,241

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

Property Taxes Receivable	515,352
Payments in Lieu of Taxes Receivable	927,776
Intergovernmental Receivable	10,780,826
Accounts Receivable	136,020

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	20,632,259
Net Pension Liability	(99,438,257)

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	(33,120,000)
Unamortized Bond Premium	(778,007)
Energy Conservation Note	(4,101,244)
Athletic Facility Bond	(660,800)
Certificates of Participation	(12,919,400)
Accrued Interest Payable	(401,925)
Compensated Absences	(2,144,320)
Capital Lease	(350,014)

Net Position of Governmental Activities \$ (17,449,739)

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, 2017

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 33,723,354	\$ -	\$ 2,835,188	\$ 36,558,542
Payments in Lieu of Taxes	2,127,035	-	-	2,127,035
Intergovernmental	44,199,961	11,724,910	6,965,425	62,890,296
Investment Income	78,678	183,707	15,521	277,906
Co-Curricular Activities	39,970	-	207,380	247,350
Tuition and Fees	862,862	-	-	862,862
Charges for Services	789,378	-	409,668	1,199,046
Donations	144,246	-	9,811	154,057
Other	519,654	-	9,790	529,444
Total Revenues	<u>82,485,138</u>	<u>11,908,617</u>	<u>10,452,783</u>	<u>104,846,538</u>
Expenditures:				
Current:				
Instruction:				
Regular	36,746,749	-	389,385	37,136,134
Special	12,102,700	-	2,056,831	14,159,531
Other	100,822	-	31,920	132,742
Support services:				
Pupils	4,472,020	-	438,656	4,910,676
Instructional Staff	1,156,385	-	44,648	1,201,033
Board of Education	736,791	-	-	736,791
School Administration	5,408,598	-	514,799	5,923,397
Fiscal Services	1,916,369	-	43,965	1,960,334
Business Operations	68,137	-	-	68,137
Operation and Maintenance of Plant	5,667,023	-	31,024	5,698,047
Pupil Transportation	5,285,478	-	520,143	5,805,621
Central Services	1,422,708	-	23,310	1,446,018
Non-instructional Services	207,074	-	3,258,043	3,465,117
Co-Curricular Activities	556,795	-	250,257	807,052
Capital Outlay	1,472,662	27,279,872	249,054	29,001,588
Debt service:				
Principal Retirement	-	-	1,182,334	1,182,334
Interest and Fiscal Charges	-	-	1,969,310	1,969,310
Total Expenditures	<u>77,320,311</u>	<u>27,279,872</u>	<u>11,003,679</u>	<u>115,603,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,164,827	(15,371,255)	(550,896)	(10,757,324)
Other Financing Sources/(Uses):				
Sale of Capital Assets	6,761	-	-	6,761
Inception of Capital Lease	350,014	-	-	350,014
Proceeds From Sale of Bonds	-	660,800	-	660,800
Transfers In	-	-	683,850	683,850
Transfers Out	(683,850)	-	-	(683,850)
Total Other Financing Sources/(Uses)	<u>(327,075)</u>	<u>660,800</u>	<u>683,850</u>	<u>1,017,575</u>
Special Item	750,000	-	-	750,000
Net Change in Fund Balances	5,587,752	(14,710,455)	132,954	(8,989,749)
Fund Balance Beginning of Fiscal Year	15,078,440	37,369,575	3,840,488	56,288,503
Fund Balance End of Fiscal Year	<u>\$ 20,666,192</u>	<u>\$ 22,659,120</u>	<u>\$ 3,973,442</u>	<u>\$ 47,298,754</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (8,989,749)

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

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

Capital Outlay	29,581,524
Depreciation	(1,534,235)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations).

Sales/Disposals	(1,200)
Capital Contributions	57,045

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

Property Taxes	(1,678,881)
Payments in Lieu of Taxes	71,501
Intergovernmental Revenues	(11,588,282)
Other Revenues	40,759

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

4,799,585

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

(8,836,670)

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	1,182,334
Proceeds From Inception of Capital Lease	(350,014)
Proceeds From Bonds	(660,800)
Amortization of Premium and Discount	22,285
Accrued Interest Payable	2,859

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	(457,726)
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Change in Net Position of Governmental Activities \$ 1,660,335

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, 2017

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 32,331,225	\$ 33,851,867	\$ 33,795,007	\$ (56,860)
Payments in Lieu of Taxes	1,712,550	3,839,585	3,839,585	-
Intergovernmental	40,199,828	40,682,581	43,333,503	2,650,922
Investment Income	23,300	88,300	98,553	10,253
Co-Curricular Activities	1,565	1,565	2,424	859
Tuition and Fees	1,014,495	1,015,495	830,295	(185,200)
Charges for Services	750,000	750,000	898,876	148,876
Donations	150,000	150,000	137,614	(12,386)
Other	446,900	1,273,550	955,976	(317,574)
Total Revenues	76,629,863	81,652,943	83,891,833	2,238,890
Expenditures:				
Current:				
Instruction:				
Regular	36,689,221	36,353,924	36,360,820	(6,896)
Special	10,857,351	12,029,146	12,029,146	-
Other	140,200	103,322	88,926	14,396
Support services:				
Pupils	3,794,021	4,251,241	4,240,473	10,768
Instructional Staff	1,425,231	1,189,914	1,189,914	-
Board of Education	663,163	832,335	832,335	-
School Administration	4,445,665	4,956,793	4,956,793	-
Fiscal Services	1,876,662	1,895,092	1,895,092	-
Business Operations	172,824	79,309	79,309	-
Operation and Maintenance of Plant	5,828,964	6,053,437	5,973,791	79,646
Pupil Transportation	5,661,471	5,940,019	5,940,019	-
Central Services	1,291,311	1,406,046	1,406,046	-
Non-instructional Services	787,904	919,437	937,706	(18,269)
Co-Curricular Activities	591,040	575,199	568,199	7,000
Capital Outlay	715,902	1,654,264	1,654,264	-
Total Expenditures	74,940,930	78,239,478	78,152,833	86,645
Excess of Revenues Over Expenditures	1,688,933	3,413,465	5,739,000	2,325,535
Other Financing Sources (Uses):				
Sale of Capital Assets	10,000	10,000	6,761	(3,239)
Inception of Capital Lease	-	350,014	350,014	-
Transfers In	1,492,023	1,492,023	1,492,023	-
Transfers Out	(2,297,865)	(2,291,973)	(2,291,973)	-
Total Other Financing Sources (Uses)	(795,842)	(439,936)	(443,175)	(3,239)
Net Change in Fund Balance	893,091	2,973,529	5,295,825	2,322,296
Fund Balances at Beginning of Fiscal Year	4,977,752	4,977,752	4,977,752	-
Prior Year Encumbrances Appropriated	2,070,190	2,070,190	2,070,190	-
Fund Balances at End of Fiscal Year	\$ 7,941,033	\$ 10,021,471	\$ 12,343,767	\$ 2,322,296

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, 2017

	Private-Purpose Trust	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 105,635	\$ 85,123
Total Assets	\$ 105,635	\$ 85,123
Liabilities		
Due To Students	-	78,175
Due To Others	-	6,948
Total Liabilities	-	\$ 85,123
Fund Net Position		
Net Position Held for Scholarships	\$ 105,635	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
Additions	
Investment Income	\$ 778
Donations	2,000
Total Additions	2,778
Deductions	
Scholarships Awarded	700
Change in Net Position	2,078
Net Position, Beginning of Fiscal Year	103,557
Net Position, End of Fiscal Year	\$ 105,635

See accompanying notes to the basic financial statements.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 10 instructional/support facilities staffed by 200 non-certificated personnel and 449 certificated full time personnel who provide services to 5,872 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. There are three specific tests for determining whether a legally separate entity is a component unit of a primary government's financial reporting entity. Those tests involve 1) appointment of the unit's governing board (accompanied by either the potential imposition of will or ongoing financial benefit/burden), 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting.

The Groveport Madison Cruiser Academy (the Academy) is a nonprofit corporation formally created on March 11, 2010 pursuant to Ohio Rev. Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status. The Academy's mission is to provide each student with a unique opportunity to earn their diploma in an alternative setting. The Academy is an at-risk Academy that primarily enrolls students between sixteen and twenty-one years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions.

The Academy is a component unit of the District. The District appoints a majority of the Board of Directors and is able to impose its will on the Academy. The District can suspend the Academy's operations for any of the following reasons: 1) The Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Academy's failure to meet generally accepted standards of fiscal management, 3) the Academy's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in Note 22.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – REPORTING ENTITY (Continued)

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.

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 \$168,636.

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 \$0.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

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 of the District account for food services, co-curricular activities, federal and state grants, and other resources whose use is restricted for a particular purpose.

Proprietary Funds

The District reports no proprietary funds.

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.

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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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.

(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 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 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. 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.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refundings and for pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 14.

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, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental 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. The District did not report deferred inflows of resources related to pensions at June 30, 2017.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. 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. 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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017, 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 \$78,678. The Building Fund was credited \$183,707 and the other governmental funds were credited \$15,521.

(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.

(g) Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market 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.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Capital Assets 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 fair market 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.

(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.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*

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

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 that occurred during the fiscal year. The District's had one special item during the fiscal year. The District's special item is explained in Note 20.

(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.

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. 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.

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	\$ 5,587,752
Revenues	772,643
Expenditures	64,564
Other Sources and Uses	(116,100)
Encumbrances	(995,888)
Fund Reclassifications:	
Public Support Fund	(17,146)
Budgetary Basis	<u><u>\$ 5,295,825</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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits

Custodial Credit Risk – Deposits - At fiscal year end, the carrying amount of the District’s deposits was \$739,648, including \$23,743 in STAR Ohio Plus, and the bank balance was \$1,529,134. Of the District’s bank balance, \$388,537 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was collateralized in the manner described below. The District has no formal policy concerning custodial credit risk.

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

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	\$ 380,252	0.9%	\$ 380,252	\$ -
STAR Ohio	15,310,667	37.0%	15,310,667	-
Negotiable CD's	13,676,608	33.1%	10,317,358	3,359,250
FNMA	623,206	1.5%	-	623,206
FFCB	3,988,350	9.6%	2,498,300	1,490,050
FHLMC	7,391,078	17.9%	2,797,088	4,593,990
Total	\$ 41,370,161	100.0%	\$ 31,303,665	\$ 10,066,496

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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, 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit.

All 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.

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, 2017:

Investments (summarized above)	\$ 41,370,161
Carrying Amount of District’s Deposits	739,648
Total Deposits and Investments per Note Disclosure	<u>\$ 42,109,809</u>
Governmental Activities - Cash and Cash Equivalents	\$ 22,348,361
Governmental Activities - Investments	19,570,690
Fiduciary Funds - Cash and Cash Equivalents	190,758
Total Deposits and Investments per Financial Statements	<u>\$ 42,109,809</u>

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. 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, 2017, are available to finance fiscal year 2017 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 \$13,811,383, \$710,726 and \$466,153, 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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 – PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	<u>2016 Second Half Collections</u>		<u>2017 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 753,062,360	93.9%	\$ 777,326,320	92.5%
Public Utility Personal	48,811,510	6.1%	62,652,480	7.5%
Total	<u>\$ 801,873,870</u>	<u>100.0%</u>	<u>\$ 839,978,800</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$ 66.28		\$ 65.49	

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 \$2,112,260, \$6,035,416 and \$30,572 during the fiscal year, respectively. Payments in lieu of taxes during the fiscal year were \$2,198,536.

NOTE 7 – RECEIVABLES

Receivables at June 30, 2017, consisted of property taxes, revenue in lieu of taxes, intergovernmental grants, 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. Revenue 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, 2017, there was \$10,644,198 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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 9 – CAPITAL ASSETS

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

Governmental Activities

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 1,521,786	\$ -	\$ -	\$ 1,521,786
Construction in Process	10,549,594	26,798,331	(8,355,113)	28,992,812
Total Nondepreciable Assets	<u>12,071,380</u>	<u>26,798,331</u>	<u>(8,355,113)</u>	<u>30,514,598</u>
Depreciable Capital Assets				
Land Improvements	2,764,547	32,254	-	2,796,801
Buildings	35,089,085	10,104,536	-	45,193,621
Furniture and Equipment	11,998,993	1,058,561	(1,189)	13,056,365
Vehicles and Buses	727,636	-	(54,711)	672,925
Total Depreciable Assets	<u>50,580,261</u>	<u>11,195,351</u>	<u>(55,900)</u>	<u>61,719,712</u>
Less accumulated depreciation				
Land Improvements	(2,551,392)	(27,767)	-	(2,579,159)
Buildings	(20,263,400)	(717,524)	-	(20,980,924)
Furniture and Equipment	(11,317,413)	(770,765)	1,189	(12,086,989)
Vehicles and Buses	(449,329)	(18,179)	53,511	(413,997)
Total accumulated depreciation	<u>(34,581,534)</u>	<u>(1,534,235)</u>	<u>54,700</u>	<u>(36,061,069)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>15,998,727</u>	<u>9,661,116</u>	<u>(1,200)</u>	<u>25,658,643</u>
Total Capital Assets, Net	<u>\$ 28,070,107</u>	<u>\$ 36,459,447</u>	<u>\$ (8,356,313)</u>	<u>\$ 56,173,241</u>

Depreciation expense was charged to the governmental functions as follows:

Instruction Regular	\$ 166,122
Instruction Special	13,678
Pupils	4,355
Instructional staff	36,274
School Administration	14,765
Fiscal Services	2,441
Operations and Maintenance	1,232,829
Noninstructional Services	26,960
Co-Curricular activities	36,811
Total depreciation expense	<u>\$ 1,534,235</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 – LONG TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2017 is as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2011 Energy Note	\$ 4,448,578	\$ -	\$ (347,334)	\$ 4,101,244	\$ 357,754
Series 2014 GO Bonds	33,300,000	-	(180,000)	33,120,000	215,000
Series 2014 GO Bonds Premium	799,922	-	(21,915)	778,007	-
Series 2015 COPs:					
School Facilities Construction	9,770,000	-	(375,000)	9,395,000	380,000
School Facilities Discount	(10,931)	-	561	(10,370)	-
Refunding	3,805,000	-	(280,000)	3,525,000	285,000
Refunding Premium	10,700	-	(930)	9,770	-
Series 2017 Athletic Facility Bond	-	660,800	-	660,800	114,800
Total Bonds and Notes	52,123,269	660,800	(1,204,618)	51,579,451	1,352,554
Net Pension Liability					
SERS	13,746,085	4,347,084	-	18,093,169	-
STRS	64,846,295	16,498,793	-	81,345,088	-
Total Net Pension Liability	78,592,380	20,845,877	-	99,438,257	-
Compensated Absences	1,696,327	492,106	(16,742)	2,171,691	268,180
Capital Lease	-	350,014	-	350,014	118,040
Total Long Term Liabilities	\$ 132,411,976	\$ 22,348,797	\$ (1,221,360)	\$ 153,539,413	\$ 1,738,774

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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 – LONG TERM LIABILITIES (Continued)

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.

Principal and interest requirements to retire general obligation debt at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,352,554	\$ 1,962,400	\$ 3,314,954
2019	1,525,486	1,926,363	3,451,849
2020	1,571,541	1,885,964	3,457,505
2021	1,607,927	1,839,078	3,447,005
2022	1,507,655	1,795,355	3,303,010
2023-2027	7,881,881	8,277,704	16,159,585
2028-2032	5,895,000	7,034,388	12,929,388
2033-2037	6,375,000	5,760,680	12,135,680
2038-2042	5,215,000	4,451,375	9,666,375
2043-2047	6,950,000	2,967,700	9,917,700
2048-2052	8,895,000	1,328,900	10,223,900
2053	2,025,000	40,500	2,065,500
Total	<u>\$ 50,802,044</u>	<u>\$ 39,270,407</u>	<u>\$ 90,072,451</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 – LONG TERM LIABILITIES (Continued)

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.

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 \$75,598,092 and \$839,979, 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 \$350,014 at June 30, 2017. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 118,040	\$ 3,017	\$ 121,057
2019	114,329	6,727	121,056
2020	117,645	3,412	121,057
Total	<u>\$ 350,014</u>	<u>\$ 13,156</u>	<u>\$ 363,170</u>

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 2017 was \$110,724.

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 Trident Insurance, 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 Trident Insurance and holds a \$2,500 deductible.

The District contracts with Anthem Blue Cross Blue Shield to provide health coverage; 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.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 – RISK MANAGEMENT (Continued)

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 \$28,032 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.

NOTE 14 – PENSION BENEFITS

Net Pension Liability

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

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

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

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

The proportionate share of each 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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent and nothing was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$1,107,512 for fiscal year 2017. Of this amount \$184,359 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, 2017**

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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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, 2017**

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and was increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$3,692,073 for fiscal year 2017. Of this amount, \$602,927 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - 2017	\$18,093,169	\$81,345,088	\$99,438,257
Proportion of the Net Pension Liability - 2017	0.247206%	0.243017%	
Proportion of the Net Pension Liability - 2016	<u>0.240902%</u>	<u>0.234635%</u>	
Change in proportionate share	<u>0.006304%</u>	<u>0.008382%</u>	
Pension Expense	\$1,949,362	\$6,887,308	\$8,836,670

At June 30, 2017, 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	\$244,035	\$3,286,732	\$3,530,767
Differences between projected and actual investment earnings	1,492,424	6,753,828	8,246,252
Change of assumptions	1,207,818	-	1,207,818
Change in proportionate share	621,934	2,225,903	2,847,837
District contributions subsequent to the measurement date	<u>1,107,512</u>	<u>3,692,073</u>	<u>4,799,585</u>
Total Deferred Outflows of Resources	<u>\$4,673,723</u>	<u>\$15,958,536</u>	<u>\$20,632,259</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

\$4,799,585 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$996,438	\$2,169,165	\$3,165,603
2019	1,013,956	2,261,028	3,274,984
2020	1,126,806	4,668,936	5,795,742
2021	429,011	3,167,334	3,596,345
Total	\$3,566,211	\$12,266,463	\$15,832,674

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, 2016, are presented below:

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

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

The most recent experience study was completed June 30, 2015.

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

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	\$23,954,228	\$18,093,169	\$13,187,219

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

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

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

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

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$108,101,013	\$81,345,088	\$58,774,889

NOTE 15 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 15 – POSTEMPLOYMENT BENEFITS (continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation is 0.00%. 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. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care, including the surcharge, for the years ended June 30, 2017, 2016, and 2015 were \$134,336, \$123,453 and \$179,765, respectively. The entire amount has been contributed for fiscal years 2016 and 2015. For fiscal year 2017, the entire amount is reported as a due to other governments.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports on SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System of Ohio

Plan Description – The District participates to the cost sharing multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may 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 authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care.

The District's contractually required health care contributions to STRS for fiscal years 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively. The entire amount has been contributed for each fiscal year.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.
- (b) **Foundation Funding** - District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.
- (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, 2016	\$ -
Current fiscal year set-aside requirement	997,597
Offset: Permanent Improvement Levy	(1,214,873)
Total	\$ (217,276)
 Set Aside Restricted Balance June 30, 2017	 \$ -

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, 2017**

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	\$ 43,695
Title III Limited English Proficiency	1,242
Title I Disadvantaged Children	88,548
Title II Improving Teacher Quality	3,919

This fund deficit 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	\$ 995,887
Building Fund	5,268,094
Other Governmental Funds	28,858,878
Total	\$ 35,122,859

NOTE 20 – SPECIAL ITEM

On May 9, 2017, the District’s Board of Education approved the closure and discontinuation of the sponsor contract with Groveport Madison Cruiser Academy effective at the end of the current contract period which ended June 30, 2017. This closure was deemed necessary due to the new laws and regulations that have imposed increasingly burdensome and costly new requirements and constraints on the community schools and their sponsors, as a result of which the ability of the District and the Academy to continue working together was at risk. The new changes in law and ODE’s interpretation of law threatened the financial stability of the Academy. Both parties have determined that it is in the best interest of the students and potential students served by the Academy and of the greater educational community served by the parties, for the Academy to close permanently at June 30, 2017. Students were allowed to remain a part of Groveport Madison Cruiser Academy through June 30, 2017.

The District is reporting a special item representing cost directly related to the closure. This amount includes the remaining cash that was or will be transferred to the District after the collection of all receivables and the payment of all liabilities according to ODE closing procedures. The portion of this amount that has not yet been paid is included in intergovernmental receivable on the statement of net position. In addition, capital assets no longer being used were either disposed of or transferred to the District. The special item reported in the General Fund represents cash paid to the District by the Groveport Madison Cruiser Academy and a summary of principal items included as a special item on the statement of activities follows:

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 20 – SPECIAL ITEM (Continued)

	Amount
Remaining cash paid/payable to the District	\$ 886,020
Capital assets transferred to the District	57,045
Total Special Item	\$ 943,065

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year ending June 30, 2017, the District has implemented the following:

For fiscal year 2017, the District implemented *GASB Statement No. 77 “Tax Abatement Disclosures”* which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have a significant effect on the financial statements of the District.

For fiscal year 2017, the District implemented *GASB Statement No. 78 “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”* which amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the District.

For fiscal year 2017, the District implemented *GASB Statement No. 79 “Certain External Investment Pools and Pool Participants”* which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the District.

For fiscal year 2017, the District implemented *GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”* which amends the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the District.

For fiscal year 2017, the District implemented *GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73”* which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the District.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 22 – COMPONENT UNIT DISCLOSURES

Description of the Academy and Reporting Entity

The Groveport Madison Cruiser Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status. The Academy's mission is to provide each student with a unique opportunity to earn their diploma in an alternative setting. The Academy is an at-risk Academy that primarily enrolls students between sixteen and twenty-one years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions.

The Academy was formally created on March 11, 2010, by entering a three-year contract with the Groveport Madison Local School District (the Sponsor) for fiscal years 2011 through 2013. The contract was subsequently extended through fiscal year 2017. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. See Note 7 for additional information regarding the sponsorship agreement with the Sponsor. The Sponsor's Board of Education voted to non-renew the contract and close the Academy at the end of the contract which expired June 30, 2017.

The Academy purchased the services of Metropolitan Educational Technology Association Solutions (META) to provide fiscal, student, EMIS, and technical services during the fiscal year.

The Academy operates under the direction of a five-member Board of Directors appointed by the Sponsor. The majority of those appointed by the Sponsor shall be elected or appointed public officials or public employees, or shall be community leaders who have demonstrated a professional interest in education or in other issues involving children.

The Academy is a component unit of the Sponsor. The Sponsor appoints a majority of the Board of Directors and is able to impose its will on the Academy. The Sponsor can suspend the Academy's operations for any of the following reasons: 1) The Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Academy's failure to meet generally accepted standards of fiscal management, 3) the Academy's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) other good cause.

The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Academy and the children it serves.

Summary of Significant Accounting Policies

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

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These statements are prepared on the accrual basis of accounting as further described in C.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five-year forecast, which is updated on an annual basis.

E. Cash

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with maturities greater than three months at the time they are purchased are reported as investments.

F. Restricted Assets

Assets are reported as restricted 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 or other governments or imposed by enabling legislation. The Academy had no restricted assets at fiscal year-end.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

G. 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 expense is reported in the year which services are consumed. At fiscal year-end, prepaid items are not available to finance future net position expenses.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. The Academy had no inventory at fiscal year-end.

I. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of \$1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimate Life</u>
Buildings and Improvements	15 years
Furniture, Fixtures, and Equipment	5-10 years

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. The Academy has no employees.

K. Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported on the statement of net position. The Academy had no long-term obligations at the end of the fiscal year.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Academy did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy did not have any deferred inflows of resources at fiscal year-end.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

M. Net Position

Net position represents the difference between assets and liabilities. The net position component “investment in capital assets,” consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy had no restricted net position at fiscal year-end.

The Academy’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

O. Estimates

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

P. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

Deposits

A. Deposits

At fiscal year-end, the carrying amount of the Academy's deposits was \$141,794 and the bank balance was \$261,072. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), while the remaining balance was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Cost				
Buildings and Improvements	\$ 18,254	\$ -	\$ (18,254)	\$ -
Furniture, Fixtures, and Equipment	11,458	53,390	(64,848)	-
Total Capital Assets, Cost	29,712	53,390	(83,102)	-
Less Accumulated Depreciation				
Buildings and Improvements	(6,693)	(1,217)	7,910	-
Furniture, Fixtures, and Equipment	(7,044)	(5,199)	12,243	-
Total Accumulated Depreciation	(13,737)	(6,416)	20,153	-
Depreciable Capital Assets, Net	<u>\$ 15,975</u>	<u>\$ 46,974</u>	<u>\$ (62,949)</u>	<u>\$ -</u>

Risk Management

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the Academy's insurance coverage was provided by The Netherlands Insurance Company, administered by Andrew Insurance Associates, Inc. The Academy had general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate. Business Personal Property was also insured at \$500,000 with a \$1,000 deductible.

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

Operating Lease

The Academy entered into a Property Lease Agreement for space to be used as a school building, office space and other permitted uses. Monthly lease payments made by the Academy during the fiscal year were \$10,938. During the fiscal year, Property Lease Agreement payments totaled \$98,438.

Fiscal Agent and Payment to Sponsor

The Community School Sponsorship Contract between the Academy and the Groveport Madison Local School District requires the Academy to pay the following amounts:

- The Academy will reimburse Sponsor for actual payroll expenses incurred for compensating and providing benefits to employees.
- The Academy may purchase certain special education and related services from the Sponsor.
- The Academy may also pay the Sponsor other amounts as are mutually agreed for any services provided to the Academy by the Sponsor.

During the fiscal year, the Academy paid the Sponsor \$935,121 for the services defined above.

Contract with the Metropolitan Educational Technology Association (META) Solutions

On June 9, 2014, the Academy entered into a three-year contract with the Metropolitan Education Council (MEC) for fiscal years 2015 through 2017. On April 1, 2015, MEC merged with the Tri-Rivers Educational Computer Association (TRECA) to form the Metropolitan Educational Technology Association (META) Solutions. Under the contract, the Academy agreed to the following terms:

- META shall provide the Academy with fiscal, student, EMIS, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of META under the agreement shall be employees of META and META shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All personnel shall possess any certification or licensure which may be required by law.
- The technical services provided by META to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.

During the fiscal year, the Academy paid META \$6,953 for these services. Financial information may be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

Contingencies

A. Grants

The Academy 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. Litigation

The Academy is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. 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.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017 and determined the Academy was overpaid by \$72,873. The Academy appealed their fiscal year 2017 FTE review results, but ODE has denied their appeal. This amount is reported as intergovernmental payable on the statement of net position.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

Purchased Services

A breakdown of purchased services expenses for the fiscal year is as follows:

Instruction	\$ 748,467
Copier	9,390
Building Lease	110,289
Utilities	14,711
Other Purchased Services	13,380
Total	<u>\$ 896,237</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

Change in Accounting Principles

For fiscal year 2017, the Academy has implemented the following:

GASB Statement No. 77 “Tax Abatement Disclosures” improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have an effect on the financial statements of the Academy.

GASB Statement No. 78 “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans” amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 “Certain External Investment Pools and Pool Participants” establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have an effect on the financial statements of the Academy.

GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14” amended the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the Academy.

GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73” addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the Academy.

Special Item – Closure of Groveport Madison Cruiser Academy

On May 9, 2017, the Sponsor’s Board of Education approved the closure and discontinuation of the contract between the Sponsor and Groveport Madison Cruiser Academy effective at the end of the current contract period which ended June 30, 2017. This closure was deemed necessary due to the new laws and regulations that have imposed increasingly burdensome and costly new requirements and constraints on the community schools and their sponsors, as a result of which the ability of the Board and the School to continue working together was at risk. The new changes in law and ODE’s interpretation of law threatened the financial stability of the school. Both parties have determined that it is in the best interest of the students and potential students served by the School and of the greater educational community served by the parties, for the School to close permanently at June 30, 2017. Students were allowed to remain a part of Groveport Madison Cruiser Academy through June 30, 2017.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

The Academy is reporting a special item representing cost directly related to the closure. This amount includes the remaining cash that will be transferred to Groveport Madison Local School District after the collection of all receivables and the payment of all liabilities according to ODE closing procedures. This amount is included in intergovernmental payable on the statement of net position. In addition, capital assets no longer being used were either disposed of or transferred to Groveport Madison Local School District. A summary of principal items included as a special item on the statement of revenues, expenses, and changes in net position follows:

	Amount
Remaining cash paid/payable to Groveport Madison Local School District	\$ 886,020
Capital Assets:	
Transferred to Groveport Madison Local School District	51,590
Disposals	11,359
Total Special Item	\$ 948,969

NOTE 23 – SUBSEQUENT EVENT

On November 7, 2017, the District issued \$8,229,732 general obligation refunding bonds for retiring a portion of the District's School Facilities Construction and Improvement Bonds, Series 2014.

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 FOUR FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.247206%	0.240902%	0.229231%	0.229231%
District's Proportionate Share of the Net Pension Liability	\$ 18,093,169	\$ 13,746,085	\$ 11,601,250	\$ 13,631,633
District's Covered-Employee Payroll	\$ 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-Employee Payroll	232.55%	188.41%	178.51%	187.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Note: Information prior to 2013 was not available. Schedule is intended to show information for 10 fiscal years. Additional fiscal years will be displayed as they become available.

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

LAST FOUR FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.243017%	0.234635%	0.232747%	0.232747%
District's Proportionate Share of the Net Pension Liability	\$ 81,345,088	\$ 64,846,295	\$ 56,612,065	\$ 67,435,921
District's Covered-Employee Payroll	\$ 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-Employee Payroll	305.14%	254.26%	245.64%	282.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.10%	74.70%	69.30%

(1) Note: Information prior to 2013 was not available. Schedule is intended to show information for 10 fiscal years. Additional fiscal years will be displayed as they become available.

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 1,107,512	\$ 1,089,238	\$ 961,578	\$ 900,732	\$ 1,004,551	\$ 1,006,315	\$ 910,692	\$ 791,034	\$ 470,636	\$ 445,799
Contributions in relation to the contractually required contribution	<u>\$ 1,107,512</u>	<u>\$ 1,089,238</u>	<u>\$ 961,578</u>	<u>\$ 900,732</u>	<u>\$ 1,004,551</u>	<u>\$ 1,006,315</u>	<u>\$ 910,692</u>	<u>\$ 791,034</u>	<u>\$ 470,636</u>	<u>\$ 445,799</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,910,800	\$ 7,780,269	\$ 7,295,735	\$ 6,498,788	\$ 7,258,315	\$ 7,481,899	\$ 7,244,962	\$ 5,842,200	\$ 4,782,886	\$ 4,539,705
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 3,692,073	\$ 3,732,195	\$ 3,570,592	\$ 2,996,126	\$ 3,108,006	\$ 3,220,548	\$ 3,247,299	\$ 3,337,687	\$ 3,395,419	\$ 3,378,516
Contributions in relation to the contractually required contribution	<u>\$ 3,692,073</u>	<u>\$ 3,732,195</u>	<u>\$ 3,570,592</u>	<u>\$ 2,996,126</u>	<u>\$ 3,108,006</u>	<u>\$ 3,220,548</u>	<u>\$ 3,247,299</u>	<u>\$ 3,337,687</u>	<u>\$ 3,395,419</u>	<u>\$ 3,378,516</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 26,371,953	\$ 26,658,538	\$ 25,504,227	\$ 23,047,120	\$ 23,907,742	\$ 24,773,444	\$ 24,979,222	\$ 25,674,514	\$ 26,118,607	\$ 25,988,583
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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

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	\$ 644,544	\$ -
National School Lunch Program	N/A	10.555	1,804,585	205,305
Summer Food Service Program for Children	N/A	10.559	<u>32,735</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>2,481,864</u>	<u>205,305</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	2,455,749	-
Special Education Cluster:				
Special Education Grants to States	N/A	84.027	1,260,366	-
Special Education Preschool Grants	N/A	84.173	<u>24,561</u>	<u>-</u>
Total Special Education Cluster			<u>1,284,927</u>	<u>-</u>
Javits Gifted and Talented Students Education	N/A	84.206	14,306	-
English Language Acquisition Grants	N/A	84.365	37,958	-
Improving Teacher Quality State Grants	N/A	84.367	<u>112,970</u>	<u>-</u>
Total U.S. Department of Education			<u>3,905,910</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 6,387,774</u>	<u>\$ 205,305</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, 2017

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, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at 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, the discretely presented component unit, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 26, 2017.

Internal Control Over Financial Reporting

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

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

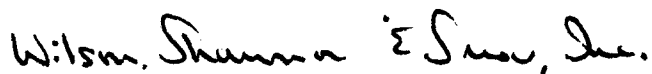
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies 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 26, 2017
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 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 District's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on The Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control Over Compliance


The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified 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, we identified a certain deficiency in internal control over compliance that we consider a significant deficiency, described in the accompanying schedule of findings as item 2017-001.

The District's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Newark, Ohio
December 26, 2017

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515**

JUNE 30, 2017

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?	Yes
(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):	Title I Grants to Local Educational Agencies/CFDA #84.010
(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

Finding Number	2017-001		
CFDA Title and Number	Title I Grants to Local Educational Agencies (CFDA #84.010)		
Federal Award Year	2017		
Federal Agency	U.S. Department of Education		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515**

JUNE 30, 2017

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2017-001 (Continued)
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Cash Management – Significant Deficiency

2 CFR § 200.305 states advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. 2 CFR § 200.305(b)(1) states a non-Federal entity must be paid in advance provided that it maintains, or demonstrates the willingness to maintain, both written procedures that minimize the time elapsing between the transfer of funds from the U.S Treasury and disbursement by the non-Federal entity, as well as a financial management system that meets the specified standards for fund control and accountability.

The Ohio Department of Education has imposed a 5-day liquidation period to help subrecipients meet the cash management provision in 2 CFR § 200.305. Ohio Department of Education CCIP Note #361 allowed school districts, based on the Ohio Department of Education fiscal year-end shutdown, to waive the 5 day liquidation period for any project cash requests submitted between June 15 through July 1 of the applicable fiscal year. Therefore, the Ohio Department of Education allowed school districts to drawdown advanced funds to cover obligations through July 15. All requested funds to cover obligations during the Ohio Department of Education shutdown were required to be spent as indicated on the Project Cash Request and the 5-day liquidation period was waived.

The District requested the following advance of funds and indicated funds would cover the final payroll of June 2017 and the associated overhead costs with the balance of the advance liquidated within 5 days:

Program	Month	Advance Amount Requested	Amount Expended	Amount Not Spent by July 15, 2017
Title I	June 2017	\$187,843.83	\$145,486.47	\$42,357.36
Title I School Improvement	June 2017	61,492.17	5,099.59	56,392.58

The Title I excess of \$42,357.36 was not liquidated until July 28, 2017 while the Title I School Improvement still had an outstanding fund balance of \$9,205.21 as of the date of this report.

The District should take steps to minimize the time elapsing between the receipt and disbursement of grant funds.

Official's Response: See correction action plan.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)**

JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The District will request cash for our Federal Programs closer to the stated deadline as established by ODE. This will improve our accuracy in requesting the needed cash through July 15, 20XX. Although, we did not expend our cash within 5 days of July 15, 2017, we did have a solid basis for our cash requests which led to the finding 2017-001.	June 30, 2018	John Walsh, Treasurer



Dave Yost • Auditor of State

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
FEBRUARY 6, 2018