



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE **KEITH FABER**



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

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

Keith Faber
Auditor of State
Columbus, Ohio

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**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2018**

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FRANKLIN COUNTY
JUNE 30, 2018**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Gahanna-Jefferson Public School District
Franklin County
160 South Hamilton Road
Gahanna, Ohio 43230

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gahanna-Jefferson Public School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 8, 2019

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GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- 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 \$60.4 million (negative net position).
- The District's total net position increased by \$49.3 million, a 45.0% increase in comparison with the prior fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26.6 million, an increase of \$1.4 million in comparison with the prior fiscal year. Of this amount, \$7.8 million is available for spending at the District's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned balance for the general fund was \$7.8 million, or 9.2% of total general fund expenditures.
- The District's total general obligation bonded debt decreased \$1.6 million, or 7.0%, in comparison with the prior fiscal year-end.

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 a private-sector business.

The statement of net position presents information on all of the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two 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.

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The statement of activities presents information showing how the government'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).

These two statements report the District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other 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.

In the Statement of Net Position and the Statement of Activities, all of the District's activities are reported as governmental including instruction, support services, community services, non-instructional services and extracurricular activities.

The government-wide financial statements can be found on pages 17-18 of this report.

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

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 a government'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.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The District maintains 20 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 fund, debt service fund, and permanent improvement fund, each of which are considered major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

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.

The basic governmental fund financial statements can be found on pages 19-23 of this report.

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

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 for proprietary funds.

The basic fiduciary fund financial statement can be found on page 27-28 of this report.

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. The notes to the basic financial statements begin on page 29 of this report.

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/OPEB benefits to its employees. Required supplementary information can be found on pages 78-91 of this report.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
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Government-Wide Financial Analysis

The table below provides a summary of the District's net position for 2018 and 2017:

Net Position		
Governmental Activities		
	2018	Restated 2017
	<u> </u>	<u> </u>
Current and Other Assets	\$ 86,246,036	\$ 81,741,327
Capital Assets	49,747,863	49,681,488
Total Assets	<u>135,993,899</u>	<u>131,422,815</u>
Deferred Charge on Refunding	575,267	191,693
Pension	40,584,220	28,462,452
OPEB	2,214,235	148,645
Total Deferred Outflows of Resources	<u>43,373,722</u>	<u>28,802,790</u>
Current Liabilities	10,822,347	10,792,050
Long-term Liabilities:		
Due Within One Year	4,966,685	3,927,360
Due in More Than One Year:		
Net Pension Liability	117,950,983	154,955,644
Net OPEB Liability	24,952,615	30,081,405
Other Amounts	31,798,598	33,424,427
Total Liabilities	<u>190,491,228</u>	<u>233,180,886</u>
Property Taxes	42,107,010	36,434,998
Pension	4,284,624	267,112
OPEB	2,849,266	-
Total Deferred Inflows of Resources	<u>49,240,900</u>	<u>36,702,110</u>
Net Investment in Capital Assets	22,508,330	20,580,870
Restricted	9,132,125	7,999,938
Unrestricted	(92,004,962)	(138,238,199)
Total Net Position	<u>\$ (60,364,507)</u>	<u>\$ (109,657,391)</u>

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from negative \$79.7 million to negative \$109.7 million.

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

Current and Other Assets increased significantly in comparison with the prior fiscal year-end. This increase primarily consists of an increase in receivables related to property taxes and payment in lieu of taxes as a result of an increase in assessed valuation.

Long-term Liabilities decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of a decrease in total general obligation bonded debt as a result of debt principal reduction payments and the issuance of refunding bonds during the fiscal year.

A large portion of the District's net position reflect its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; 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 capital assets themselves cannot be used to liquidate these liabilities.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
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The table below shows the change in net position for fiscal year 2018 and 2017:

	2018	2017
Program Revenues		
Charges for Services	\$ 4,502,208	\$ 3,546,228
Operating Grants	5,505,805	6,046,510
General Revenues		
Property Taxes	61,113,190	58,622,522
Unrestricted Grants and Entitlements	22,203,305	21,408,145
Payments in Lieu of Taxes	6,293,881	5,382,255
Investment Earnings	181,751	138,135
Miscellaneous	304,345	743,557
Total Revenues	100,104,485	95,887,352
Program Expenses		
Instructional	26,998,936	63,825,828
Support Services	18,685,445	29,996,893
Community Services	613,444	2,085,421
Food Service Operations	2,841,725	3,059,533
Extra Curricular Activities	841,538	1,273,242
Interest and Fiscal Charges	773,013	941,455
Bond Issuance Costs	57,500	-
Total Expenses	50,811,601	101,182,372
Change in Net Position	49,292,884	(5,295,020)
Net Position at Beginning of Year	(109,657,391)	N/A
Net Position at End of Year	\$ (60,364,507)	\$ (109,657,391)

Property taxes and payments in lieu of taxes both increased in comparison with the prior fiscal year. These increases are the result of an increase in assessed valuation.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$148,645 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$4.1 million. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	\$	50,811,601
Negative OPEB expense under GASB 75		4,144,025
2018 contractually required contribution		201,089
Adjusted 2018 operating expenses		55,156,715
Total 2017 operating expenses under GASB 45		101,182,372
Decrease in operating expenses not related to OPEB	\$	(46,025,657)

Total Expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in pension expense from \$12.2 million in fiscal year 2017 to negative \$37.3 million in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

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

	Total Cost of 2018 Services	Total Cost of 2017 Services	Net Cost of 2018 Services	Net Cost of 2017 Services
Governmental Activities				
Instructional	\$ 26,998,936	\$ 63,825,828	\$ 22,275,650	\$ 60,997,146
Support Services	18,685,445	29,996,893	17,801,082	28,677,832
Community Services	613,444	2,085,421	(335,203)	8,371
Food Service Operations	2,841,725	3,059,533	(202,899)	111,451
Extracurricular Activities	841,538	1,273,242	434,445	853,379
Interest and Fiscal Charges	773,013	941,455	773,013	941,455
Bond Issuance Costs	57,500	-	57,500	-
Total	\$ 50,811,601	\$ 101,182,372	\$ 40,803,588	\$ 91,589,634

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
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Financial Analysis of the Government'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, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at year-end.

The District's governmental funds reported a combined ending fund balance of \$26.6 million, an increase of \$1.4 million in comparison with the prior fiscal year. Of this amount, \$7.8 million is available for spending at the District's discretion (unassigned fund balance). The schedule below indicates the fund balances and the total change in fund balances as of June 30, 2018 for all major and nonmajor governmental funds.

Funds:	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase/ (Decrease)
General	\$ 22,321,293	\$ 21,674,547	\$ 646,746
Debt Service	3,338,446	3,150,694	187,752
Permanent Improvement	9,404	(425,646)	435,050
Other Governmental	888,942	761,980	126,962
Total	<u>\$ 26,558,085</u>	<u>\$ 25,161,575</u>	<u>\$ 1,396,510</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 of the general fund was \$7.8 million, while total fund balance was \$22.3 million. The net increase in fund balance during the current year was \$646,746. This increase represents the amount in which the property taxes and related receipts, payments in lieu of taxes, and intergovernmental revenues exceeded instructional and support service expenses during the fiscal year.

Debt Service Fund

The debt service fund has a total fund balance of \$3.3 million, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$187,752. This increase represents the amount in which property tax and related receipts, transfers in, and refunding bond proceeds exceeded current year debt service requirements and payment to the refunded bonds escrow.

Permanent Improvement Fund

The permanent improvement fund has a total fund balance of \$9,404. The net increase in fund balance during the current year was \$435,050. This increase represents the amount in which property tax receipts exceeded current year capital outlays and debt payments.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

General Fund Budgetary Highlights

The District's budget is prepared in accordance with Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. Budgetary information is presented only for the general fund in the financial statements.

The District's final estimated revenues and other financing sources exceeded the original estimate by \$2.8 million. This increase was mainly the result of an increase in property tax revenues. The District's final estimated revenues and other financing sources exceeded the actual revenues and other financing sources by \$448,134. This decrease was mainly the result of a decrease in other local sources of revenue.

The District's original appropriations and other financing uses exceeded the final amounts by \$1.6 million. This decrease was mainly the result of a decrease in regular instruction expenditures. The difference between the District's final appropriations and other financing and actual amounts was insignificant.

Capital Assets

At fiscal year-end, the District had \$49.7 million (net of accumulated depreciation) invested in land, buildings and improvements, equipment, vehicles, and textbooks, an increase of \$66,375 in comparison with the prior fiscal year. This increase represents the amount in which current year additions of \$2.8 million exceeded current year depreciation of \$2.7 million and disposals of \$39,818.

See note 9 to the basic financial statements for additional information on Capital Assets.

Debt Administration

At fiscal year-end, the District's general bonded debt totaled \$20.9 million, a decrease of \$1.6 million in comparison with the prior fiscal year. This decrease represents the amount in which current year principal payments and amortization, totaling \$2.0 million, and refunded bonds of \$8.9 million exceeded new refunding bonds of \$9.4 million.

See note 10 to the basic financial statements for additional information on long-term obligations.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

Economic Conditions and Outlook

The District passed a 2.16 mill permanent improvement levy in November 2014. The levy generates approximately \$3,000,000 a year for maintenance and upkeep of buildings, parking lots, sidewalks, buses, vehicles, and technology. In May 2018, the District passed a \$32,000,000 bond issue as well as a 4.28 mill operating levy. The bond issue will cover the cost of building a new Lincoln Elementary as well as renovations to existing buildings throughout the District. The operating levy will generate \$6,900,000 per year for everyday operating expenses.

The City's GoForward Gahanna: Results that Matter initiative is a citywide strategic plan that will guide the city's policy agenda, budgets, and management. The plan focuses on five strategic priority areas, identified by the Outreach Team, that are critical to City's success. The five areas are as follows: 1) Business & Job Development; 2) Roads, Bridges, and Infrastructure; 3) Parks, Trails & Recreation; 4) Character of the City, and; 5) Good Government. In each of these areas, goals have been set and ideas have moved into the implementation phase. The initiative ensures that the City dedicates its resources to its strategic priorities and achieves meaningful and measurable results.

The Jefferson Township Trustees have approved multiple residential construction projects consisting of 278 units. Most recently, a 374 home development, Jefferson Farms, was approved. The developments will affect the enrollment of the District significantly in the coming years. On average, each new home could bring 0.6 new students to the District. The District will also see increases in property valuation of up to \$80,000,000, which will bring in new real estate tax revenue of approximately \$3,200,000. The timing of each of these developments varies and are expected to be completed between 2018 to 2024.

Request for Information

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kristine Blind, Treasurer, Gahanna-Jefferson Public School District, 160 S. Hamilton Road, Gahanna, Ohio 43230.

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**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 16,354,517
Cash with Fiscal Agent	210,830
Receivables:	
Property Taxes - Current	60,442,587
Property Taxes - Delinquent	1,410,032
Accounts	18,826
Accrued Interest	20,366
Payments in Lieu of Taxes	7,061,127
Due From Other Governments	593,227
Prepaid Assets	98,996
Materials and Supplies Inventory	35,528
Capital Assets:	
Non-depreciable Capital Assets	7,701,290
Depreciable Capital Assets	42,046,573
Total Assets	135,993,899
Deferred Outflows of Resources	
Deferred Charge on Refunding	575,267
Pension	40,584,220
OPEB	2,214,235
Total Deferred Outflows of Resources	43,373,722
Liabilities	
Accounts Payable	175,423
Accrued Wages and Benefits Payable	6,648,710
Due to Other Governments	1,227,458
Accrued Interest Payable	74,139
Claims Payable	940,106
Unearned Revenue	1,756,511
Long-Term Liabilities	
Due Within One Year	4,966,685
Due in More Than One Year:	
Net Pension Liability	117,950,983
Net OPEB Liability	24,952,615
Other Amounts Due in More Than One Year	31,798,598
Total Liabilities	190,491,228
Deferred Inflows of Resources	
Property and Other Local Taxes	42,107,010
Pension	4,284,624
OPEB	2,849,266
Total Deferred Inflows of Resources	49,240,900
Net Position	
Net Investment in Capital Assets	22,508,330
Restricted for:	
Debt Service	3,289,480
Permanent Improvements	4,874,528
Locally Funded Programs	130,269
Extracurricular Activities	338,010
State Funded Programs	261,543
Federally Funded Programs	45,581
Food Service	192,714
Unrestricted	(92,004,962)
Total Net Position	\$ (60,364,507)

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction				
Regular Instruction	\$ 18,094,681	\$ 1,805,636	\$ 128,233	\$ (16,160,812)
Special Instruction	8,840,873	-	2,645,998	(6,194,875)
Vocational Instruction	53,157	-	143,419	90,262
Other Instruction	10,225	-	-	(10,225)
Support Services				
Pupils	1,911,922	-	176,365	(1,735,557)
Instructional Staff	1,730,207	101,519	62,671	(1,566,017)
General Administration	382,871	-	-	(382,871)
School Administration	2,340,358	225,233	1,948	(2,113,177)
Fiscal Services	1,712,023	-	-	(1,712,023)
Business	250,956	-	-	(250,956)
Maintenance	4,907,706	262,609	7,348	(4,637,749)
Pupil Transportation	3,524,168	-	26,870	(3,497,298)
Central	1,925,234	-	19,800	(1,905,434)
Community Services	613,444	46,040	902,607	335,203
Food Service Operations	2,841,725	1,654,078	1,390,546	202,899
Extra Curricular Activities	841,538	407,093	-	(434,445)
Interest and Fiscal Charges	773,013	-	-	(773,013)
Bond Issuance Costs	57,500	-	-	(57,500)
Total Governmental Activities	<u>\$ 50,811,601</u>	<u>\$ 4,502,208</u>	<u>\$ 5,505,805</u>	<u>(40,803,588)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				56,877,479
Debt Service				1,096,310
Permanent Improvement				3,139,401
Unrestricted Grants and Entitlements				22,203,305
Payments in Lieu of Taxes				6,293,881
Investment Earnings				181,751
Miscellaneous				304,345
Total General Revenues				<u>90,096,472</u>
Change in Net Position				<u>49,292,884</u>
Net Position Beginning of Year, Restated				(109,657,391)
Net Position End of Year				<u>\$ (60,364,507)</u>

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018**

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 7,646,208	\$ 2,888,212	\$ 3,886,559	\$ 971,242	\$ 15,392,221
Receivables:					
Property Taxes - Current	56,269,236	1,082,072	3,091,279	-	60,442,587
Property Taxes - Delinquent	1,312,334	25,173	72,525	-	1,410,032
Accounts	18,188	-	-	-	18,188
Accrued Interest	20,366	-	-	-	20,366
Payments in Lieu of Taxes	7,061,127	-	-	-	7,061,127
Due From Other Governments	-	-	-	593,227	593,227
Prepaid Assets	98,996	-	-	-	98,996
Materials and Supplies Inventory	3,431	-	-	32,097	35,528
Total Assets	<u>72,429,886</u>	<u>3,995,457</u>	<u>7,050,363</u>	<u>1,596,566</u>	<u>85,072,272</u>
Liabilities:					
Accounts Payable	108,691	-	-	66,732	175,423
Accrued Wages and Benefits Payable	6,275,525	-	-	373,185	6,648,710
Interfund Payable	30,843	-	-	1,825	32,668
Due to Other Governments	1,110,717	-	-	116,741	1,227,458
Matured Leave Benefits Payable	64,707	-	-	29,359	94,066
Unearned Revenue	800,797	-	-	-	800,797
Tax Anticipation Notes Payable	-	-	5,350,000	-	5,350,000
Total Liabilities	<u>8,391,280</u>	<u>-</u>	<u>5,350,000</u>	<u>587,842</u>	<u>14,329,122</u>
Deferred Inflows of Resources:					
Unavailable Revenue	1,860,575	25,173	72,525	119,782	2,078,055
Property and Other Local Taxes	39,856,738	631,838	1,618,434	-	42,107,010
Total Deferred Inflows of Resources	<u>41,717,313</u>	<u>657,011</u>	<u>1,690,959</u>	<u>119,782</u>	<u>44,185,065</u>
Fund Balances:					
Non-spendable:					
Prepaid Assets	98,996	-	-	-	98,996
Inventory	3,431	-	-	-	3,431
Restricted for:					
Debt Service	-	3,338,446	-	-	3,338,446
Permanent Improvements	-	-	9,404	-	9,404
Locally Funded Programs	-	-	-	130,269	130,269
Extracurricular Activities	-	-	-	338,010	338,010
State Funded Programs	-	-	-	259,537	259,537
Food Service	-	-	-	192,714	192,714
Committed for:					
Community Recreation	-	-	-	42,776	42,776
Assigned for:					
Public School Support	196,103	-	-	-	196,103
Instruction	221,383	-	-	-	221,383
Support Services	267,042	-	-	-	267,042
Uniform Supplies	60,046	-	-	-	60,046
Capital Outlay	4,800	-	-	-	4,800
Future Appropriations	13,626,007	-	-	-	13,626,007
Rotary	10,614	-	-	-	10,614
Unassigned	7,832,871	-	-	(74,364)	7,758,507
Total Fund Balances	<u>22,321,293</u>	<u>3,338,446</u>	<u>9,404</u>	<u>888,942</u>	<u>26,558,085</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 72,429,886</u>	<u>\$ 3,995,457</u>	<u>\$ 7,050,363</u>	<u>\$ 1,596,566</u>	<u>\$ 85,072,272</u>

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRAKLIN COUNTY**

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

Total Governmental Fund Balances	\$ 26,558,085
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,747,863
Other long-term assets are not available to pay for current period expenditures and therefore are reported as a deferred inflow of resources in the funds.	
Property Taxes Receivable	1,410,032
Payments in Lieu of Taxes Receivable	536,733
Due From Other Governments	119,782
Interest Receivable	11,508
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(2,689,388)
The net pension and OPEB 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	40,584,220
Deferred Outflows - OPEB	2,214,235
Deferred Inflows - Pension	(4,284,624)
Deferred Inflows - OPEB	(2,849,266)
Net Pension Liability	(117,950,983)
Net OPEB Liability	(24,952,615)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and Notes Payable	(22,891,782)
Bond Premium	(431,468)
Deferred Amount on Refunding	575,267
Accrued Interest Payable	(74,139)
Capital Leases Payable	(130,419)
Compensated Absence Payable	(5,867,548)
	(28,820,089)
Net Position of Governmental Activities	\$ (60,364,507)

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From Local Sources:					
Taxes	\$ 57,037,167	\$ 1,108,214	\$ 3,153,704	\$ -	\$ 61,299,085
Payments in Lieu of Taxes	5,870,417	-	-	-	5,870,417
Tuition	1,346,764	-	-	23,415	1,370,179
Charges for Services	-	-	-	1,653,215	1,653,215
Other Local	1,228,341	-	-	550,578	1,778,919
Intergovernmental - State	22,202,932	143,792	51,363	927,593	23,325,680
Intergovernmental - Federal	-	-	-	4,433,060	4,433,060
Investment Income	187,569	-	-	4,043	191,612
Total Revenues	87,873,190	1,252,006	3,205,067	7,591,904	99,922,167
Expenditures:					
Instruction:					
Regular	44,324,464	-	298,724	129,633	44,752,821
Special	13,242,528	-	-	2,709,149	15,951,677
Vocational	482,273	-	-	-	482,273
Other Instruction	11,969	-	-	-	11,969
Support services:					
Pupils	4,780,596	-	-	170,193	4,950,789
Instructional Staff	2,905,086	-	-	139,797	3,044,883
General Administration	354,664	-	-	-	354,664
School Administration	6,129,032	-	-	1,991	6,131,023
Fiscal Services	1,692,702	17,615	42,765	-	1,753,082
Business	203,428	-	-	11,810	215,238
Maintenance	4,786,556	-	128,021	-	4,914,577
Pupil Transportation	3,218,705	-	468,144	-	3,686,849
Central	1,858,463	-	-	19,800	1,878,263
Community Services	-	-	-	970,698	970,698
Food Service Operations	-	-	-	2,892,622	2,892,622
Extracurricular Activities	1,056,528	-	-	373,244	1,429,772
Capital Outlay	-	-	1,702,163	-	1,702,163
Debt service:					
Principal Retirement	158,905	2,604,349	-	-	2,763,254
Interest and Fiscal Charges	2,004	710,318	130,200	-	842,522
Bond Issuance Costs	-	57,500	-	-	57,500
Total Expenditures	85,207,903	3,389,782	2,770,017	7,418,937	98,786,639
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,665,287	(2,137,776)	435,050	172,967	1,135,528
Other Financing Sources (Uses):					
Refunding Bond Proceeds	-	9,405,000	-	-	9,405,000
Sale of Assets	4,240	-	-	-	4,240
Inception of Capital Lease	197,100	-	-	-	197,100
Payment to Refunded Bonds Escrow	-	(9,345,358)	-	-	(9,345,358)
Transfers In	-	2,265,886	-	-	2,265,886
Transfers Out	(2,219,881)	-	-	(46,005)	(2,265,886)
Total Other Financing Sources (Uses)	(2,018,541)	2,325,528	-	(46,005)	260,982
Net Change in Fund Balances	646,746	187,752	435,050	126,962	1,396,510
Fund Balances - Beginning	21,674,547	3,150,694	(425,646)	761,980	25,161,575
Fund Balances - Ending	<u>\$ 22,321,293</u>	<u>\$ 3,338,446</u>	<u>\$ 9,404</u>	<u>\$ 888,942</u>	<u>\$ 26,558,085</u>

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

Net Change in Fund Balances - Total Governmental Funds \$ 1,396,510

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.

Depreciation Expense	(2,690,199)
Capital Outlay	2,796,392
Net effect of capital assets sales and disposals	(39,818)

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

Property Taxes - Delinquent	(185,895)
Payment in Lieu of Taxes	423,464
Due From Other Governments	(49,630)
Interest	(9,861)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 7,986,576

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as negative pension expense in the statement of activities. 37,323,430

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as negative OPEB expense in the statement of activities. 4,144,025

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance of Bonds	(9,405,000)
Bond and Note Principal Repayments	2,604,349
Payment to Refunded Bond Escrow	9,345,358
Amortization of Bond Premium and Deferred Amount on Refunding	52,315
Inception of Capital Lease	(197,100)
Capital Lease Principal Repayments	158,905

Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated Absences	(242,377)
Accrued Interest	17,194

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (4,135,754)

Change in Net Position of Governmental Activities \$ 49,292,884

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 55,471,619	\$ 56,839,009	\$ 56,839,009	\$ -
Payments in Lieu of Taxes	5,424,415	5,870,417	5,870,417	-
Intergovernmental - State	21,990,475	21,802,040	22,202,932	400,892
Interest on Investments	146,475	228,426	239,722	11,296
Tuition	733,900	1,292,415	1,292,491	76
Other local Sources	1,189,805	1,729,464	869,066	(860,398)
Total Revenues	84,956,689	87,761,771	87,313,637	(448,134)
Expenditures:				
Instruction:				
Regular	45,731,066	43,934,404	43,881,634	52,770
Special	13,015,978	13,371,452	13,346,233	25,219
Vocational	602,146	493,650	493,640	10
Other Instruction	-	11,969	11,969	-
Support Services:				
Pupils	4,329,013	4,666,327	4,665,353	974
Instructional Staff	2,838,561	3,033,647	3,000,099	33,548
General Administration	545,501	433,620	431,031	2,589
School Administration	7,219,849	6,065,728	6,060,906	4,822
Fiscal Services	1,740,089	1,699,487	1,701,158	(1,671)
Business	141,828	206,075	206,075	-
Maintenance	5,022,320	5,031,001	5,008,428	22,573
Pupil Transportation	3,278,159	3,245,990	3,243,962	2,028
Central	1,301,107	1,861,224	1,849,093	12,131
Extracurricular Activities	1,057,344	1,020,350	1,020,181	169
Capital Outlay	-	17,800	4,800	13,000
Debt service:				
Principal Retirement	158,905	158,905	158,905	-
Interest and Fiscal Charges	2,004	2,004	2,004	-
Total Expenditures	86,983,870	85,253,633	85,085,471	168,162
Excess of Revenues Over (Under) Expenditures	(2,027,181)	2,508,138	2,228,166	(279,972)
Other Financing Sources (Uses):				
Sale of Assets	27,000	4,240	4,240	-
Transfers In	-	28,699	28,699	-
Transfers Out	(2,276,787)	(2,394,311)	(2,394,311)	-
Total Other Financing Sources (Uses)	(2,249,787)	(2,361,372)	(2,361,372)	-
Net Change in Fund Balance	(4,276,968)	146,766	(133,206)	(279,972)
Fund Balances at Beginning of Year	5,413,122	5,413,122	5,413,122	-
Prior Year Encumbrances Appropriated	1,585,015	1,585,015	1,585,015	-
Fund Balances at End of Year	\$ 2,721,169	\$ 7,144,903	\$ 6,864,931	\$ (279,972)

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	Governmental Activities - Internal Service Fund
Current Assets:	
Cash and Cash Equivalents	\$ 962,296
Cash with Fiscal Agent	210,830
Receivables:	
Accounts Receivable	638
Interfund Receivable	32,668
Total Current Assets	1,206,432
Total Assets	1,206,432
Current Liabilities:	
Claims Payable	940,106
Unearned Revenue	955,714
Loan Payable	1,000,000
Total Current Liabilities	2,895,820
Non-current Liabilities:	
Loan Payable	1,000,000
Total Non-current Liabilities	1,000,000
Total Liabilities	3,895,820
Net Position:	
Unrestricted	(2,689,388)
Total Net Position	\$ (2,689,388)

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 10,722,887
Total Operating Revenues	<u>10,722,887</u>
Operating Expenses:	
Purchased Services	1,743,459
Claims	13,115,515
Total Operating Expenses	<u>14,858,974</u>
Operating Loss	<u>(4,136,087)</u>
Non-Operating Revenues:	
Interest Revenue	333
Total Non-Operating Revenues	<u>333</u>
Change in Fund Net Position	(4,135,754)
Net Position Beginning of Year	1,446,366
Net Position End of Year	<u><u>\$ (2,689,388)</u></u>

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 10,867,970
Cash Payments for Contract Services	(1,743,459)
Cash Payments for Claims	(12,828,895)
Net Cash Used for Operating Activities	<u>(3,704,384)</u>
Cash Flows from Noncapital Financing Activities:	
Proceeds from Loans	2,000,000
Net Cash Provided by Noncapital Financing Activities	<u>2,000,000</u>
Cash Flows from Investing Activities:	
Interest on Investments	333
Net Cash Provided by Investing Activities	<u>333</u>
Net Decrease in Cash and Cash Equivalents	(1,704,051)
Cash and Cash Equivalents at Beginning of Year	2,877,177
Cash and Cash Equivalents at End of Year	<u><u>1,173,126</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(4,136,087)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	(638)
Interfund Receivable	(429)
Claims Payable	286,620
Unearned Activities	146,150
Net Cash Used for Operating Activities	<u><u>\$ (3,704,384)</u></u>

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	Private-Purpose Trust	Agency Fund
Assets:		
Cash and Cash Equivalents	\$ 111,137	\$ 426,122
Accounts Receivable	-	20,359
Materials and Supplies Inventory	-	3,348
Total Assets	111,137	449,829
Liabilities:		
Accounts Payable	-	17,307
Accrued Wages and Benefits Payable	-	19,979
Interfund Payable	-	92
Due to Other Governments	-	3,458
Due to Others	-	408,993
Total Liabilities	-	\$ 449,829
Net Position:		
Held for Special Trusts and Scholarships	\$ 111,137	

See accompanying notes to the basic financial statements.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	Private-Purpose Trust
Additions:	
Gifts and Contributions	\$ 24,753
Other Local	29,143
Total Additions	53,896
 Deductions:	
Scholarships Awarded	12,850
Other Expenses	21,988
Total Deductions	34,838
Change in Net Position	19,058
Net Position at Beginning of Year	92,079
Net Position at End of Year	\$ 111,137

See accompanying notes to the basic financial statements.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

The Gahanna Jefferson Public School District (the “District”) is located in Franklin County, Ohio. The District operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by state and/or federal agencies. This Board controls the District’s thirteen instructional/support facilities staffed by 304 non-certificated employees, 582 certificated full-time teaching personnel, and 31 administrators. The District provides services to 7,755 students and other community members.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District had no component units for the fiscal year ended June 30, 2018.

JOINTLY GOVERNED ORGANIZATIONS

The District participates in the Metropolitan Educational Technology Association (META). META is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 37 counties in Central Ohio. The META helps its members purchase services, insurances, supplies, and other items at a discounted rate. 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 and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to META to cover the costs of administering the program. Payments to META during the fiscal year totaled to \$133,112.

Financial information may be obtained from the Metropolitan Educational Technology Association Chief Financial Officer, at 2100 Citygate Dr., Columbus, OH 43219.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District is a member of the Eastland-Fairfield Career and Technical School (School), 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 district's elected boards, which possesses its own budgeting and taxing authority. Financial information can be obtained from Dawn Lemley, who serves as Treasurer, at 4300 Amalgamated Place, Groveport, Ohio 43125. There were no payments to the School during the fiscal year.

UNDIVIDED INTEREST IN JOINT OPERATIONS

On February 21, 1996, a contract was entered into between the District and the City of Gahanna (City), a separate legal entity, to construct and operate a vehicle maintenance facility. Based on the terms of the agreement, the entities equally bore the cost related to the construction of the maintenance facility. In exchange for 4.699 acres of land that the City deeded to the District, the City received a credit of \$187,960 toward their share of the cost related to construction. The land was recorded in the District's governmental activities in fiscal year 1996. In 2000, the District's share of construction costs, totaling \$1,234,694, was recorded in the District's governmental activities as a capital asset. Each entity is responsible for managing the operations of their portion of the vehicle maintenance facility.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary governmental is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods or services provided by a given program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District has no enterprise funds.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, basis of accounting and financial statement presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and payment in lieu of taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, investment earnings, tuition, grants and student fees.

Deferred Outflows/Inflows of Resources – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refundings and for pensions and other postemployment benefits (OPEB). 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 and OPEB plans are explained in Notes 13 and 14.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payment in lieu of taxes, unavailable revenue, pension, and OPEB. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue includes delinquent property taxes, intergovernmental revenues, and interest income. These amounts are only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 13 and 14).

Expenditures/Expenses – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure with a like amount reported as intergovernmental revenue.

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

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. There are three categories of funds: governmental, proprietary and fiduciary. The District currently has all three types of funds.

GOVERNMENTAL FUNDS - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities/deferred inflows of resources is reported as fund balance. The following is the District's governmental funds:

MAJOR GOVERNMENTAL FUNDS

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanent Improvement Fund – The permanent improvement fund is used to account for all transactions related to acquiring, constructing, or improving school facilities.

OTHER GOVERNMENTAL FUNDS - Other Governmental Funds of the District are used to account for grants and other resources whose use is restricted or committed for a particular purpose.

OTHER FUND TYPES

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

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. This includes the following funds:

Private Purpose Trust Fund – A trust fund accounts for money which has been set aside for scholarship purposes from which the income may be expended in accordance with the related trust agreements, but the principal stays intact.

Agency Fund – A fund used for activities that are purely custodial in nature (asset equal liabilities) and thus do not involve measurement of results of operations. The District’s has two agency funds to account for student managed activities and an employee flexible spending plan.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. However, the activity for interfund services in the internal service fund are consolidated with the Governmental Activities on the government-wide financial statements.

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

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District’s records. Each fund’s interest in the pool is presented as “Cash and Cash Equivalents” on the basic financial statements. The District has a segregated bank account for the health self-insurance internal service fund held separate from the District’s central bank account.

All investments are reported at fair value, which is based on quoted market prices.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the fiscal year, the District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 a NAV per share that approximates fair value.

The Ohio Revised Code authorizes the District to invest in United States and State of Ohio bonds, notes, money market and other obligations; bank certificates of deposit; banker's acceptances; commercial paper notes rated prime and issued by United States corporations; and STAROhio. It is management's policy to invest in all of the above types of investments.

Under existing Ohio statutes, all investment earnings are assigned to the general fund except those specifically related to certain trust funds, unless the Board of Education specifically directs interest to be recorded in other funds. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$187,569 which includes \$110,637 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory and Prepaid Items

All inventories are valued at cost using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At fiscal year-end, inventory consists of donated food and purchased food and supplies held for resale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

F. Capital Assets

General capital assets are those related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition values as of the date received. The District's capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All reported capital assets except land and construction in progress are depreciated. The District currently does not possess any infrastructure. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20-50 years
Furniture, fixtures and equipment	5-20 years
Vehicles	8 years
Instructional Supplies	6 years

G. Interfund Balances

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

On fund financial statements, receivables and payables resulting from short-term interfund loans between governmental funds are classified as “interfund receivable/payable.” Advances to/from other funds are long-term advances made between governmental funds that are not expected to be repaid within one year. These amounts are eliminated in the governmental activities column on the statement of net position.

H. Compensated Absences

GASB Statement No. 16, “Accounting for Compensated Absences”, specifies the method used to accrue liabilities for leave benefits. Vacation benefits 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 the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments. The total liability for vacation and severance payments has been calculated using pay rates in effect at fiscal year-end, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Unearned Revenue

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds (typically the General fund) are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, 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 following categories were used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed – Fund balance is reported as committed when there are resources constrained for specific purposes that are internally imposed by formal action (resolution) of the government at the highest level of decision making authority, Board of Education.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria as restricted or 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 – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes represent restricted grants and contributions held at fiscal year-end. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Bond Premiums

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. On the governmental fund financial statements, bond premiums are recognized in the current period.

O. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During the fiscal year, the District did not incur any transactions that would be classified as an extraordinary item or special item.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Estimates

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

Q. Budgetary Calendar

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budget documents within an established timetable. The major documents prepared are the Five-Year Forecast, the Certificate of Estimated Resources, and the Appropriations Resolution, all of which are prepared on the budgetary cash basis of accounting. All funds, except for agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with legal restriction that the appropriations cannot exceed estimated resources, as certified. The amount reported as the original budgeted revenues in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenues in the budgetary statement reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the District deposits was \$2,222,519 (excluding \$300 maintained in petty cash) and the bank balance was \$2,584,185. Of the District’s bank balance, \$464,440 was covered by the Federal Depository Insurance Company (FDIC) and the remaining balance was uninsured and collateralized. The District’s financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

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

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

B. Investments

At fiscal year-end, the District reported the following investments at fair value:

Investment Type	Standard & Poor's Rating	Fair Value	Percent of Total	Investment Maturities	
				Within 1 Year	More than 1 Year
Money Market	AAA	7,919,307	56.48%	7,919,307	-
FFCB	AA	494,959	3.53%	-	494,959
FHLMC	AA	862,374	6.15%	-	862,374
FNMA	AA	747,413	5.33%	747,413	-
Commercial Paper	A1	1,049,047	7.48%	1,049,047	-
Negotiable CD's	N/A	2,948,530	21.03%	1,237,027	1,711,503
Total		<u>\$ 14,021,630</u>	<u>100.00%</u>	<u>\$ 10,952,794</u>	<u>\$ 3,068,836</u>

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. All of the District’s fair value measurements are valued using quoted market prices (Level 1 inputs).

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

In addition, at fiscal year-end, the District’s reported an investment in STAR Ohio totaling \$858,157. In accordance with GASB Statement No. 79, the District’s investment in STAR Ohio is reported at amortized cost. For the fiscal year ended June 30, 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. STAR Ohio is rated AAA by Standard and Poor’s.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less, unless matched to a specific obligation or debt of the District. All investments outstanding at fiscal year-end mature within five years.

Credit Risk: The District’s investment policy limits investments to those authorized by State statute.

Concentration Risk: The District’s investment policy does not limit the amount that may be invested in any one issue. Investments of the District are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities.

C. Reconciliation of Deposits and Investment to the Statement of Net Position

The following is a reconciliation of deposits and investments as reported above to cash and cash equivalents reported on the statement of net position at fiscal year-end:

Investments (summarized above)	\$ 14,879,787
Carrying Amount of Deposits	2,222,519
Petty Cash	300
Less: Fiduciary Cash and Investments	(537,259)
Total Cash and Cash Equivalents on Statement of Net Position	<u>\$ 16,565,347</u>

NOTE 4 – INTERFUND TRANSACTIONS

Interfund balances at fiscal year-end, as reported on the fund financial statements, consist of the following individual interfund receivables and payables:

Fund	Receivable	Payable
General Fund	\$ -	\$ 30,843
Other Governmental Funds	-	1,825
Internal Service	32,668	-
Totals	<u>\$ 32,668</u>	<u>\$ 32,668</u>

These interfund balances are the result of Workers Compensation Premiums on wages earned but not yet paid that are due to the self-insurance fund.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 – INTERFUND TRANSACTIONS (CONTINUED)

During the fiscal year, the General Fund and Building Fund transferred \$2,219,881 and \$46,005, respectively to the Debt Service Fund for the purpose of making debt payments. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 5 – PROPERTY TAXES

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

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

Accrued property tax receivable includes real property, public utility property and tangible personal property taxes which are measurable at 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. On a full accrual basis, collectible delinquent property taxes have been reported as a receivable and revenue, while on a modified accrual basis the revenue has been reported as a deferred inflow of resources.

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

	2017 Second Half		2018 First Half	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 1,404,129,470	96.63%	\$ 1,571,505,790	96.72%
Public Utility Personal	48,988,160	3.37%	53,217,730	3.28%
Total	\$ 1,453,117,630	100.00%	\$ 1,624,723,520	100.00%
Tax rate per \$1,000 of assessed valuation	73.26		73.01	

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 – PAYMENTS IN LIEU OF TAXES

The District has entered into several Compensation Agreements with other local government entities resulting in the receipt of payments in lieu of taxes. The Compensation Agreements relate to the use of property tax abatements to encourage economic development. The District receives payments in lieu of taxes for projects at Broad Street, Easton, Creekside and other locations. For these projects, the District is to receive payments equal to the amount that the District would otherwise have received as real property tax payments derived from the improvements, absent the passage of the agreement. The District receives the payments directly from the County which collects the amounts for the agreements.

The District also receives payments in lieu of taxes from the City of Columbus, who has declared improvements to certain parcels of real property for the Stelzer-Stygler Community Reinvestment Area 100 percent exempt from property taxes. The District is to receive 46 percent of real property tax payments derived from the improvements had the exemption not been declared for improvements before March 25, 2002. For projects completed after March 25, 2002, the District will receive payments of 58 percent of real property tax payments derived from the improvements had the exemption not been declared and 50 percent of income tax collected for new employee payroll attributable to employment at each such project.

The District also receives payments in lieu of taxes from the City of Gahanna, whereas the City of Gahanna has declared improvements to certain parcels of real property within the City 100 percent exempt from property taxes. The District is to receive 50 percent of the amount of income taxes levied and collected by the City on employee payroll for that year, not to exceed 100 percent of the real property taxes foregone by the District for that year.

NOTE 7 – TAX ABATEMENTS

Under Community Reinvestment Area (CRA) and other property tax abatements entered into by the City of Gahanna and the City of Columbus, the District's property tax revenues were reduced by \$222,216 and \$549,224 during the fiscal year, respectively. Compensation payments received from the cities during the fiscal year totaled \$251,584.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 – LEASE AGREEMENTS

In August 2011, the District opened Clark Hall, a state-of-the-art learning facility that serves as an extension to the nearby Lincoln High School. In addition, the District entered into the following agreements related to Clark Hall.

Eastland-Fairfield Career and Technical School (EFCTS) - In May 2010, the District and EFCTS entered into a build-out, use and operations agreement granting EFCTS the right to occupy and use approximately 8,403 square feet of space in the Clark Hall Building from the District. The term of the agreement is for fifteen years.

As part of the consideration for the rights granted to EFCTS under this agreement, EFCTS contributed \$1,251,472 towards the cost of completion of the base improvements. This contribution will serve as base rent for the term of the agreement. In addition, EFCTS agreed to pay the cost of additional improvements to the premises as may be necessary (beyond the base improvements) to finish, equip, furnish, and otherwise prepare the premises for EFCTS's initial occupancy and use. As of fiscal year-end, the District has received \$912,531 from EFCTS for additional improvements made.

On February 24, 2012, the District entered into a ground lease agreement with Wagenbrenner Development, Inc., for design and construction of 24,000 square feet of new commercial space on the remaining undeveloped land adjacent to Clark Hall titled "The Commons at Clark Hall". The term of the lease is for a period of 85 years. The rent payable under the lease, per annum, for the first ten years is \$132,000. The rent payable will be adjusted every 10th year of the term.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 7,701,290	\$ -	\$ -	\$ 7,701,290
Total Nondepreciable Assets	<u>7,701,290</u>	<u>-</u>	<u>-</u>	<u>7,701,290</u>
Depreciable Capital Assets				
Land Improvements	8,042,860	68,166	-	8,111,026
Buildings and Improvements	72,039,933	1,286,799	(112,050)	73,214,682
Equipment and Fixtures	7,863,068	569,819	(36,806)	8,396,081
Vehicles	5,443,906	624,888	(376,282)	5,692,512
Textbooks	3,672,863	246,720	(221,242)	3,698,341
Total Depreciable Assets	<u>97,062,630</u>	<u>2,796,392</u>	<u>(746,380)</u>	<u>99,112,642</u>
Less accumulated depreciation				
Land Improvements	(5,746,369)	(181,066)	-	(5,927,435)
Buildings and Improvements	(39,423,576)	(1,374,027)	76,194	(40,721,409)
Equipment and Fixtures	(3,630,437)	(561,641)	36,806	(4,155,272)
Vehicles	(3,317,882)	(415,347)	376,282	(3,356,947)
Textbooks	(2,964,168)	(158,118)	217,280	(2,905,006)
Total accumulated depreciation	<u>(55,082,432)</u>	<u>(2,690,199)</u>	<u>706,562</u>	<u>(57,066,069)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>41,980,198</u>	<u>106,193</u>	<u>(39,818)</u>	<u>42,046,573</u>
Capital Assets, Net	<u>\$ 49,681,488</u>	<u>\$ 106,193</u>	<u>\$ (39,818)</u>	<u>\$ 49,747,863</u>

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – CAPITAL ASSETS (CONTINUED)

Depreciation was charged to governmental functions as follows:

	<u>Amount</u>
Instruction:	
Regular	\$ 1,772,816
Special	10,975
Vocational	2,747
Support Services:	
Pupil	2,430
Instructional Staff	111,759
General Administration	31,198
School Administration	20,689
Fiscal	6,556
Business	49,724
Operations and Maintenance	83,323
Pupil Transportation	394,155
Central	77,203
Community Services	47,962
Non-instructional	43,812
Extracurricular Activities	34,850
Total Depreciation Expense	<u>\$ 2,690,199</u>

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GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – LONG-TERM OBLIGATIONS

During the fiscal year, the following changes occurred in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
<u>General Obligation Debt</u>					
2007 Series Bus Purchase	\$ 145,000	\$ -	\$ (145,000)	\$ -	\$ -
2009 Refunding	150,000	-	(150,000)	-	-
2010 A Learning Center Bonds	2,435,000	-	(2,435,000)	-	-
2010 A Bond Discount	(21,326)	-	21,326	-	-
2010 C Learning Center Bonds	3,065,475	-	(383,185)	2,682,290	383,185
2013 A and B					
Energy Conservation/Refunding	9,855,000	-	(6,625,000)	3,230,000	285,000
Premium	248,649	-	(181,656)	66,993	-
2014 Stadium Facility Note	580,656	-	(41,164)	539,492	42,416
2015 B Refunding					
Serial Bonds	5,735,000	-	(975,000)	4,760,000	1,135,000
Premium	253,187	-	(50,637)	202,550	-
2017 Refunding	-	9,405,000	-	9,405,000	85,000
Total General Obligation Debt	<u>22,446,641</u>	<u>9,405,000</u>	<u>(10,965,316)</u>	<u>20,886,325</u>	<u>1,930,601</u>
<u>Net Pension Liability</u>					
SERS	21,840,676	-	(2,095,220)	19,745,456	-
STRS	133,114,968	-	(34,909,441)	98,205,527	-
Total Net Pension Liability	<u>154,955,644</u>	<u>-</u>	<u>(37,004,661)</u>	<u>117,950,983</u>	<u>-</u>
<u>Net OPEB Liability</u>					
SERS	8,813,459	9,571	-	8,823,030	-
STRS	21,267,946	-	(5,138,361)	16,129,585	-
Total Net OPEB Liability	<u>30,081,405</u>	<u>9,571</u>	<u>(5,138,361)</u>	<u>24,952,615</u>	<u>-</u>
2010 Certificates of Participation	2,905,000	-	(630,000)	2,275,000	670,000
2018 Special Obligation Loan	-	2,000,000	-	2,000,000	1,000,000
Capital Lease	92,224	197,100	(158,905)	130,419	64,724
Compensated Absences	5,667,865	714,896	(421,147)	5,961,614	581,360
Total Other Long-Term Debt	<u>8,665,089</u>	<u>2,911,996</u>	<u>(1,210,052)</u>	<u>10,367,033</u>	<u>2,316,084</u>
2015 A Tax Anticipation Notes					
Serial Bonds	6,055,000	-	(705,000)	5,350,000	720,000
Premium	185,057	-	(23,132)	161,925	-
Total Tax Anticipation Notes	<u>6,240,057</u>	<u>-</u>	<u>(728,132)</u>	<u>5,511,925</u>	<u>720,000</u>
Total Governmental Activities	<u>\$ 222,388,836</u>	<u>\$ 12,326,567</u>	<u>\$ (55,046,522)</u>	<u>\$ 179,668,881</u>	<u>\$ 4,966,685</u>

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-Term obligations of the District are included in the Statement of Net Position. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Bond Retirement and Permanent Improvement Funds.

2007 Bus Purchase Bonds

On December 6th, 2007, the District issued \$1,200,000 in general obligation bonds for the purpose of acquiring school buses. The maturity date for the bonds is December 01, 2017 with a net interest cost of 3.65%. The proceeds of the bonds issued were reported in the capital project/building fund (a nonmajor governmental fund). Principal payments on the bonds are made from the debt service fund.

2009 Refunding Bonds

In fiscal year 2009, the District issued \$6,380,000 in general obligation bonds with a net interest cost of 3.00% for the purpose of completing a refund of 1999 Bonds for the purpose of rolling over notes issued in September 2008 that were used for the purchase of land for a new High School Learning Center, Clark Hall. Principal payments on the general obligation bonds were made from the debt service fund. The source of revenue to retire the bonds was derived from voted property tax levies recorded in the debt service fund. As a result of the advance refunding, the District reduced its total debt service requirements by \$513,093, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$407,313.

During fiscal year 2009, the District issued general obligation refunding bonds (series B) to advance refund a portion of general obligation issues from 1999 series building. The amount of defeased debt outstanding at fiscal year-end is \$0.

2010 Learning Center Clark Hall Bonds

On February 16, 2010, the District also issued \$14,682,770 in Learning Center Clark Hall Bonds for the purpose of school facilities construction in the Ohio School Facilities Commission program. The Series 2010A Bonds were issued in the amount of \$2,435,000 with interest costs increasing each year from 3.65 to 4.15 percent. The bonds were issued at a discount in the amount of \$34,897. This discount will be amortized over the life of the bond, on a straight-line basis. Payments on the bonds are made from the debt service fund. In fiscal year 2018, the Bonds were advance refunded with the Series 2017 Bonds.

The Series 2010B Bonds were issued in the amount of \$6,500,000 with interest costs increasing each year from 5.04 to 6.10 percent. This issuance was issued as Build America Bonds with the District receiving payments from the federal government for interest payments. In fiscal year 2013, the Bonds were advance refunded with the Series 2013 Bonds.

The Series 2010C Bonds were issued in the amount of \$5,747,770 with interest costs 1.50 percent. This issuance was issued as Qualified School Construction Bonds. The bonds mature on February 16, 2025.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

2013 A and B Energy Conservation and Refunding Bonds

On June 27, 2013, the District issued \$10,795,000 in Energy Conservation and Refunding Bonds for the purpose of purchasing and installing energy conservation measures and refunding the 2010B Learning Center Bonds. The Series 2013A Bonds were issued in two parts with interest costs ranging from 1.50 to 4.00 percent. The 2013A-1 Bonds were issued for energy conservation measures in the amount of \$3,265,000 while the 2013A-2 Bonds were issued to refund the 2010B Learning Center Bonds in the amount of \$6,395,000. The bonds were issued at a premium in the amount of \$339,067. This premium will be amortized over the life of the bond, on a straight-line basis. Payments on the bonds are made from the debt service fund. The bonds mature on December 1, 2028. As a result of the advance refunding, the District reduced its total debt service requirements by \$430,564, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt) of \$347,113. In fiscal year 2018, the 2013A portion of the Bonds were advance refunded with the Series 2017 Bonds.

The Series 2013B Bonds were issued in the amount of \$1,135,000 with interest costs increasing each year from 0.55 to 1.65 percent. This issuance was Taxable Energy Conservation Bonds and will be used to fund energy projects of the District.

2014 Stadium Facility Construction and Improvement Note

On May 27, 2014, the District borrowed \$700,000 for the purpose of construction, improvement, furnishings, and equipping of stadium bleacher facilities, with related site improvements. The note will be paid from the debt service fund and has an interest rate of 3.00 percent. The note has a term of 180 months. Payments in the amount of \$4,835 are due on the 27th of every month with the final payment due on May 27, 2029.

2015 B Refunding Bonds

On April 14, 2015, the District issued \$6,725,000 in general obligation bonds for the purpose of advance refunding a portion of the Series 2005 Bonds. The bonds will be paid from the debt service fund and have interest rates ranging from 2.50 to 3.50 percent. As a result of the advance refunding, the District reduced its total debt service requirements by \$360,838, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt) of \$345,777. The amount of defeased debt as of June 30, 2018 is \$0.

2017 Refunding Bonds

On December 11, 2017, the District issued \$9,405,000 in various purpose bonds for the purpose of advance refunding the remaining Series 2010 A Bonds and a portion of the Series 2013 A Bonds. The bonds will be paid from the debt service fund and has an interest rate of 2.110 percent. As a result of the advance refunding, the District reduced its total debt service requirements by \$523,300, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt) of \$468,308. The amount of defeased debt as of June 30, 2018 is \$8,780,000.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Fiscal Year	Principal	Interest	Total
2019	\$ 1,930,601	\$ 473,527	\$ 2,404,128
2020	1,961,852	425,227	2,387,079
2021	2,013,218	371,564	2,384,782
2022	2,709,588	305,131	3,014,719
2023	1,640,999	247,505	1,888,504
2024-2028	8,848,130	648,620	9,496,750
2029	1,512,394	16,195	1,528,589
Total	<u>\$ 20,616,782</u>	<u>\$ 2,487,769</u>	<u>\$ 23,104,551</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at fiscal year-end are voted debt limit of \$146,225,117 and an unvoted debt limit of \$1,624,724. The District’s debt outstanding was within these limits.

2010 Certificates of Participation

On February 1, 2010, the District entered into a ground lease agreement with Gahanna-Jefferson Education Foundation (Foundation) whereas the District leases a parcel of land to the Foundation, and subsequently constructs school facilities on the land, and the Foundation, in turn, subleases the land, and leases the constructed school facilities to the District.

On February 16, 2010, the District issued \$6,565,000 in certificates of participation for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the bonds is December 1, 2021 with interest costs increasing each year from 1.42 to 5.54 percent. The proceeds of the bonds issued were reported in the capital project/building fund. Payments on the certificates were made from the debt service fund.

The Certificates of Participation evidence a proportionate interest in the base rent to be paid by the District under the ground lease agreement. Base rent payments will be recorded as expenditures in the debt service fund.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of future base rent payments for the certificates of participation:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 670,000	\$ 102,497	\$ 772,497
2020	710,000	66,675	776,675
2021	755,000	27,915	782,915
2022	140,000	3,878	143,878
Total	<u>\$ 2,275,000</u>	<u>\$ 200,965</u>	<u>\$ 2,475,965</u>

2015 A Permanent Improvement Levy Tax Anticipation Notes

On April 14, 2015, the District issued \$7,400,000 in permanent improvement levy tax anticipation notes. The source of revenue to retire the special obligation notes will be derived from voted property tax levies recorded in the permanent improvement fund. The notes will be paid from the debt service fund and have interest costs ranging from 2.00 to 3.00 percent. The notes were issued at a premium in the amount of \$231,321. This amortization will be amortized over the life of the notes, on a straight-line basis. The notes have a final maturity date of December 1, 2024.

The following is a summary of future base rent payments for the tax anticipation notes:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 720,000	\$ 115,950	\$ 835,950
2020	730,000	101,450	831,450
2021	745,000	86,700	831,700
2022	760,000	71,650	831,650
2023	780,000	56,250	836,250
2024-2025	1,615,000	48,825	1,663,825
Total	<u>\$ 5,350,000</u>	<u>\$ 480,825</u>	<u>\$ 5,830,825</u>

2018 Special Obligation Loan

On June 13, 2018, the District issued \$2,000,000 in a special obligation loan for the purpose of providing funds to pay expenses associated with the settlement of claims, whether by way of a reserve or otherwise in the District’s individual self-insurance program and to pay a portion of the costs of maintaining the self-insurance program. The loan will be paid from the self-insurance fund and has interest costs of 3.00 percent. The loan has a final maturity date of June 1, 2020.

The following is a summary of future annual debt service requirements for maturity for the loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,000,000	\$ 58,000	\$ 1,058,000
2020	1,000,000	30,000	1,030,000
Total	<u>\$ 2,000,000</u>	<u>\$ 88,000</u>	<u>\$ 2,088,000</u>

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

Compensated Absences

Compensated absences represent accumulated vacation and an estimated severance liability for employees both eligible to retire and those expected to become eligible in the future. The entire compensated absences balance is reported on the entity-wide financial statements. For governmental fund financial statements, the compensated absences are reported only to the extent they have matured and will be paid with current financial resources. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as fund liability.

The District pays obligations related to employee compensation from the fund benefitting from their service, except for compensated absences, which are paid from the General Fund for governmental funds.

NOTE 11 – CAPITAL LEASE OBLIGATIONS

The District has entered into several lease agreements as lessee for financing the acquisition of equipment, a modular unit, and iPads. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases for the equipment and modular unit had a book value of \$258,035 (\$585,882 cost less \$327,847 accumulated depreciation) at June 30, 2018. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 64,724	\$ 1,956	\$ 66,680
2020	65,695	985	66,680
Total	<u>\$ 130,419</u>	<u>\$ 2,941</u>	<u>\$ 133,360</u>

NOTE 12 – RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District purchased insurance coverage from Ohio School Plan. Coverage provided by Ohio School Plan is as follows:

Coverage	Limits of Coverage
Property	\$ 233,707,386
Employer's Liability Stop Gap	4,000,000
Educational Automobile	4,000,000
Educational General Liability	
General Aggregate	6,000,000

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – RISK MANAGEMENT (CONTINUED)

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

B. Employee Group Life, Medical, Dental and Vision Insurance

The District maintains an internal service “self-insurance” health insurance fund in connection with formalized risk management programs in an effort to minimize risk exposure and control claims and premium costs. The District, effective July 1, 2000, contracted with United HealthCare to be the third party administrator for the District’s health insurance program.

The District pays 80% of the monthly premiums for a family plan and 90% for a single plan. The District provides dental insurance to employees through Delta Dental. The Board pays 80% of the monthly premiums for a family plan and 90% for a single plan.

A claims liability of \$910,371 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. The District has purchased stop loss coverage for individual employee claim amounts exceeding \$175,000. Unpaid claims at year-end are recorded as current claims payable because they would be due within 60 days from the end of the fiscal year.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Claims Liability at July 1	\$ 621,794	\$ 580,917	\$ 691,115
Incurred Claims	13,049,695	10,018,486	8,443,145
Claims Paid	<u>(12,761,118)</u>	<u>(9,977,609)</u>	<u>(8,553,343)</u>
Claims Liability at June 30	<u>\$ 910,371</u>	<u>\$ 621,794</u>	<u>\$ 580,917</u>

C. Workers’ Compensation

The District maintains an internal service “self-insurance” workers’ compensation insurance fund in connection with formalized risk management programs in an effort to minimize risk exposure and control claims and premium costs. A claims liability of \$29,735 at fiscal year-end in the workers’ compensation self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. The District, effective January 1, 2014, contracted with Hunter consulting Co. to be the third party administrator for the District’s insurance program. The District has purchased stop loss coverage for individual employee claim amounts exceeding \$400,000.

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GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability 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 year is included in due to other governments on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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.

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$1,415,971 for fiscal year 2018. Of this amount, \$253,446 is reported as a due to other governments.

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.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The District’s contractually required contribution to STRS was \$6,369,516 for fiscal year 2018. Of this amount, \$738,480 is reported as a due to other governments.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$19,745,456	\$98,205,527	\$117,950,983
Proportion of the Net Pension Liability - Current Measurement Date	0.3304801%	0.41340619%	
Proportion of the Net Pension Liability - Prior Measurement Date	0.2984075%	0.39767846%	
Change in Proportionate Share	0.0320726%	0.0157277%	
Pension Expense	(\$282,603)	(\$37,040,827)	(\$37,323,430)

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GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows 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	\$849,777	\$3,792,239	\$4,642,016
Change of assumptions	1,021,053	21,478,624	22,499,677
Change in proportionate share	1,530,991	4,126,049	5,657,040
District contributions subsequent to the measurement date	<u>1,415,971</u>	<u>6,369,516</u>	<u>7,785,487</u>
Total Deferred Outflows of Resources	<u><u>\$4,817,792</u></u>	<u><u>\$35,766,428</u></u>	<u><u>\$40,584,220</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$791,498	\$791,498
Net difference between projected and actual earnings on pension plan investments	93,727	3,240,897	3,334,624
Change in proportionate share	<u>76,270</u>	<u>82,232</u>	<u>158,502</u>
Total Deferred Inflows of Resources	<u><u>\$169,997</u></u>	<u><u>\$4,114,627</u></u>	<u><u>\$4,284,624</u></u>

\$7,785,487 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$1,271,498	\$5,446,532	\$6,718,030
2020	1,726,427	10,436,349	12,162,776
2021	877,678	6,760,861	7,638,539
2022	<u>(643,779)</u>	<u>2,638,543</u>	<u>1,994,764</u>
Total	<u><u>\$3,231,824</u></u>	<u><u>\$25,282,285</u></u>	<u><u>\$28,514,109</u></u>

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

Discount Rate The 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$27,401,561	\$19,745,456	\$13,331,906

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$140,774,280	\$98,205,527	\$62,347,732

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

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2018, no members of the Board of Education have elected Social Security. The District’s liability is 6.2 percent of wages paid.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$148,645.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$201,089 for fiscal year 2018. Of this amount \$152,327 is reported as a due to other governments.

Plan Description – State Teachers Retirement System (STRS)

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

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

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$8,823,030	\$16,129,585	\$24,952,615
Proportion of the Net OPEB Liability - Current Measurement Date	0.3287591%	0.41340619%	
Proportion of the Net OPEB Liability - Prior Measurement Date	0.3092040%	0.39767846%	
Change in Proportionate Share	0.0195551%	0.0157277%	
 OPEB Expense	 \$609,626	 (\$4,753,651)	 (\$4,144,025)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$931,098	\$931,098
Change in proportionate share	409,149	672,899	1,082,048
District contributions subsequent to the measurement date	201,089	0	201,089
Total Deferred Outflows of Resources	\$610,238	\$1,603,997	\$2,214,235
 Deferred Inflows of Resources			
Changes of assumptions	\$837,260	\$1,299,290	\$2,136,550
Net difference between projected and actual earnings on pension plan investments	23,299	689,417	712,716
Total Deferred Inflows of Resources	\$860,559	\$1,988,707	\$2,849,266

\$201,089 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$160,938)	(\$96,177)	(\$257,115)
2020	(160,938)	(96,177)	(257,115)
2021	(160,938)	(96,177)	(257,115)
2022	<u>31,404</u>	<u>(96,179)</u>	<u>(64,775)</u>
Total	<u>(\$451,410)</u>	<u>(\$384,710)</u>	<u>(\$836,120)</u>

Actuarial Assumptions - SERS

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

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.

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

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

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$10,654,933	\$8,823,030	\$7,371,696

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

	1% Decrease (6.50% decreasing to 4.00%)	Discount Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
District's proportionate share of the net OPEB liability	\$7,159,228	\$8,823,030	\$11,025,101

Actuarial Assumptions – STRS

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

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

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

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

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

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

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

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

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$21,653,708	\$16,129,585	\$11,763,721

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$11,206,144	\$16,129,585	\$22,609,408

NOTE 15 – STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the current fiscal year, the reserve activity was as follows:

	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of July 1, 2017	\$ -	\$ 1,000,303
Current fiscal year set-aside requirement	1,337,569	-
Offset Credits	(3,205,480)	-
Total	(1,867,911)	1,000,303
Set-aside balance at June 30, 2018	\$ -	\$ 1,000,303

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 – STATUTORY RESERVES (CONTINUED)

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserves. This extra amount may not be used to reduce the set-aside requirement in future fiscal years. Although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the District has opted to maintain their designation to offset any budget deficit the District may experience in future fiscal years.

NOTE 16 – ENCUMBRANCES

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Outstanding encumbrances in the General Fund, Permanent Improvement Fund, and Other Governmental Funds as of fiscal year end were \$548,627, \$1,175,897, and \$255,921, respectively.

NOTE 17 – 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.

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of fiscal year 2018 reviews, the District is due \$42,736 from ODE. This amount has not been included in the financial statements.

B. Litigation - The District is a defendant in various lawsuits. The outcome and possible impact of these litigations is not presently determinable.

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

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

<u>Other Governmental Funds</u>	<u>Deficit Fund Balances</u>
Internal Service	\$ (2,689,388)
IDEA-B	(25,040)
Title III	(1,792)
Title I	(38,136)
Early Childhood Special Education	(2,551)
Title II-A	(6,845)

The GAAP basis deficit balances in the Other Governmental Funds are a result of the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance in accordance with GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Advances-In and Advance-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 19 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

Net Change in Fund Balance

	General Fund
Budget Basis	\$ (133,206)
Adjustments (net):	
Public Support Fund Change	(20,515)
Rotary Fund Change	(9,393)
Uniform School Supplies Fund Change	60,046
Revenue Accruals	358,340
Expenditure Accruals	(177,884)
Encumbrances	548,627
Interfund Transactions	20,731
GAAP Basis	\$ 646,746

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District’s Public School Support Fund and Special Rotary Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the District’s General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

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

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

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

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (CONTINUED)

	Governmental Activities
Net Position June 30, 2017	(79,724,631)
Adjustments:	
Net OPEB Liability	(30,081,405)
Deferred Outflows - Payments Subsequent to Measurement	
Date	148,645
Restated Net Position June 30, 2017	(109,657,391)

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

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

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

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

NOTE 21 – SUBSEQUENT EVENT

On July 24, 2018, the District issued \$32,000,000 in general obligation bonds for the purpose of constructing school facilities, including a new elementary school, and renovating, repairing, improving, equipping, and constructing improvements and additions to existing school facilities, buildings, and infrastructure. The interest rate for the bonds range from 3.00 to 5.00 percent. The bonds have a final maturity date of December 1, 2048.

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REQUIRED SUPPLEMENTARY INFORMATION

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST FIVE FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.3304801%	0.2984075%	0.2945631%	0.3000710%	0.3000710%
District's Proportionate Share of the Net Pension Liability	\$ 19,745,456	\$ 21,840,676	\$ 16,808,056	\$ 15,186,423	\$ 17,844,261
District's Covered Payroll	\$ 10,674,897	\$ 9,259,397	\$ 8,648,310	\$ 8,025,086	\$ 8,654,942
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.97%	235.88%	194.35%	189.24%	206.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST FIVE FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.41340619%	0.39767846%	0.39503147%	0.39587666%	0.39587666%
District's Proportionate Share of the Net Pension Liability	\$ 98,205,527	\$ 133,114,968	\$ 109,175,144	\$ 96,290,905	\$ 114,701,095
District's Covered Payroll	\$ 44,747,347	\$ 42,692,134	\$ 42,275,986	\$ 43,138,423	\$ 42,871,508
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	219.47%	311.80%	258.24%	223.21%	267.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,415,971	\$ 1,494,485	\$ 1,296,316	\$ 1,139,847
Contributions in Relation to the Contractually Required Contribution	<u>\$ 1,415,971</u>	<u>\$ 1,494,485</u>	<u>\$ 1,296,316</u>	<u>\$ 1,139,847</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,488,669	\$ 10,674,897	\$ 9,259,397	\$ 8,648,310
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,112,277	\$ 1,197,844	\$ 1,120,535	\$ 1,053,762	\$ 1,162,741	\$ 1,306,750
<u>\$ 1,112,277</u>	<u>\$ 1,197,844</u>	<u>\$ 1,120,535</u>	<u>\$ 1,053,762</u>	<u>\$ 1,162,741</u>	<u>\$ 1,306,750</u>
<u>\$ -</u>					
\$ 8,025,086	\$ 8,654,942	\$ 8,331,117	\$ 8,383,150	\$ 8,587,452	\$ 13,279,980
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 6,369,516	\$ 6,264,629	\$ 5,976,899	\$ 5,918,638
Contributions in Relation to the Contractually Required Contribution	<u>\$ 6,369,516</u>	<u>\$ 6,264,629</u>	<u>\$ 5,976,899</u>	<u>\$ 5,918,638</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 45,496,546	\$ 44,747,347	\$ 42,692,134	\$ 42,275,986
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 5,607,995	\$ 5,573,296	\$ 5,443,314	\$ 5,858,804	\$ 5,800,403	\$ 6,286,224
<u>\$ 5,607,995</u>	<u>\$ 5,573,296</u>	<u>\$ 5,443,314</u>	<u>\$ 5,858,804</u>	<u>\$ 5,800,403</u>	<u>\$ 6,286,224</u>
<u>\$ -</u>					
\$ 43,138,423	\$ 42,871,508	\$ 41,871,649	\$ 45,067,723	\$ 44,618,485	\$ 48,355,569
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.3287591%	0.3092040%
District's Proportionate Share of the Net OPEB Liability	\$ 8,823,030	\$ 8,813,459
District's Covered Payroll	\$ 10,674,897	\$ 9,259,397
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.65%	95.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.41340619%	0.39767846%
District's Proportionate Share of the Net OPEB Liability	\$ 16,129,585	\$ 21,267,946
District's Covered Payroll	\$ 44,747,347	\$ 42,692,134
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	36.05%	49.82%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (1)	\$ 201,089	\$ 148,645	\$ 151,648	\$ 201,623
Contributions in Relation to the Contractually Required Contribution	<u>\$ 201,089</u>	<u>\$ 148,645</u>	<u>\$ 151,648</u>	<u>\$ 201,623</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,488,669	\$ 10,674,897	\$ 9,259,397	\$ 8,648,310
Contributions as a Percentage of Covered Payroll	1.92%	1.39%	1.64%	2.33%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$ 129,245	\$ 139,245	\$ 166,103	\$ 241,369	\$ 169,185	\$ 66,264
\$ 129,245	\$ 139,245	\$ 166,103	\$ 241,369	\$ 169,185	\$ 66,264
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 8,025,086	\$ 8,654,942	\$ 8,331,117	\$ 8,383,150	\$ 8,587,452	\$ 13,279,980
1.61%	1.61%	1.99%	2.88%	1.97%	0.50%

**GAHANNA JEFFERSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 45,496,546	\$ 44,747,347	\$ 42,692,134	\$ 42,275,986
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$ 431,384	\$ 428,715	\$ 418,716	\$ 450,677	\$ 446,185	\$ 159,854
\$ 431,384	\$ 428,715	\$ 418,716	\$ 450,677	\$ 446,185	\$ 159,854
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 43,138,423	\$ 42,871,508	\$ 41,871,649	\$ 45,067,723	\$ 44,618,485	\$ 48,355,569
1.00%	1.00%	1.00%	1.00%	1.00%	0.33%

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Pension Liability

School Employees Retirement System

Changes in benefit terms:

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

Changes in assumptions:

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

State Teachers Retirement System

Changes in benefit terms:

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

Changes in assumptions:

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

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

GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net OPEB Liability

School Employees Retirement System

Changes in Assumptions:

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

Municipal Bond Index Rate:

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

State Teachers Retirement System

Changes in Assumptions:

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

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

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**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Grant Award Year	Pass Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	10.553	2018	N/A	\$ 48,233
National School Lunch Program	10.555	2018	N/A	225,817
Non-Cash Assistance Subtotal				<u>274,050</u>
Cash Assistance:				
School Breakfast Program	10.553	2018	N/A	191,573
National School Lunch Program	10.555	2018	N/A	906,942
Cash Assistance Subtotal				<u>1,098,515</u>
Total Child Nutrition Cluster				<u>1,372,565</u>
Total U.S. Department of Agriculture				<u>1,372,565</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States	84.027	2017	N/A	257,912
Special Education - Grants to States	84.027	2018	N/A	1,600,702
Total Special Education - Grants to States				<u>1,858,614</u>
Special Education - Preschool Grant	84.173	2017	N/A	2,676
Special Education - Preschool Grant	84.173	2018	N/A	36,202
Total Special Education - Preschool Grant				<u>38,878</u>
Total Special Education Cluster				<u>1,897,492</u>
Title I Grants to Local Educational Agencies	84.010	2017	N/A	106,338
Title I Grants to Local Educational Agencies	84.010	2018	N/A	798,352
Total Title I Grants to Local Educational Agencies				<u>904,690</u>
English Language Acquisition State Grants	84.365	2017	N/A	6,601
English Language Acquisition State Grants	84.365	2018	N/A	39,931
Total English Language Acquisition State Grants				<u>46,532</u>
Improving Teacher Quality State Grants	84.367	2017	N/A	11,590
Improving Teacher Quality State Grants	84.367	2018	N/A	189,446
Total Improving Teacher Quality State Grants				<u>201,036</u>
Student Support and Academic Enrichment Program	84.424	2018	N/A	8,770
Total Student Support and Academic Enrichment Program				<u>8,770</u>
Total U.S. Department of Education				<u>\$ 3,058,520</u>
Total Federal Expenditures				<u>\$ 4,431,085</u>

The accompanying notes to this schedule are an integral part of this schedule.

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Gahanna-Jefferson Public School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C- CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Gahanna-Jefferson Public School District
Franklin County
160 South Hamilton Road
Gahanna, Ohio 43230

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gahanna-Jefferson Public School District, Franklin County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 8, 2019



Dave Yost • Auditor of State

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

Gahanna-Jefferson Public School District
Franklin County
160 South Hamilton Road
Gahanna, Ohio 43230

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Gahanna-Jefferson Public 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 Gahanna-Jefferson Public School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal 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 Gahanna-Jefferson Public School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

January 8, 2019

**GAHANNA-JEFFERSON PUBLIC SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



GAHANNA – JEFFERSON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2019**