



Dave Yost • Auditor of State

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Upper Arlington City School District
Franklin County
1950 North Mallway Drive
Upper Arlington, Ohio 43221

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2015 and the respective changes in financial position 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 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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, required budgetary comparison schedule, and schedules of net pension liabilities and pension contributions* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, 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

November 19, 2015

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

As management of the Upper Arlington City School District (the District), we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Financial Highlights

The District's net position was (\$29,357,417) as of June 30, 2015 according to the Statement of Net Position. This represents an increase of \$9,360,346 or 24.2% from last year's restated net position of (\$38,717,763).

During 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities, thus resulting in the restatement of beginning net position from the previously reported \$91,141,283 to the (\$38,717,763) listed above. This liability is a present value estimate of the District's future net cash flows needed to fund future pension cost associated with the employment of current and past employees, whom participate in Ohio statewide pension systems. See page 5 below for further discussion of this statement.

In November 2013 the Citizens of the District voted to approve a new continuing operating levy of 4.0 mills. This levy generates approximately \$6.3 million annually.

The General Fund reported a positive fund balance of \$57,579,300. However, included within this balance is approximately \$27.8 million in tax revenues intended to finance next year's operations. Under accrual accounting, monies certified as being available for advance by the County Auditor, as of fiscal year end, are recognized as revenues within that fiscal year. On a budgetary basis these monies are intended to finance the following year.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year revenues and expenses are taken into consideration regardless of when cash is received or paid.

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.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)

Reporting the District's Most Significant Fund

Fund Financial Statements

Our analysis of the District's major fund appears on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. These statements provide detailed information about the most significant fund—not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the basic financial statements.

Governmental Funds

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

Fiduciary Funds

The District's Fiduciary Funds are the Student Managed Activities Fund and the District Agency Fund (OHSAA). The District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities, Fiduciary Funds. We exclude these activities from the District's other financial statements because these assets cannot be utilized by the District to finance its operations.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets (including deferred outflows) were less than liabilities (including deferred inflows) by (\$29,357,417) according to the Statement of Net Position at the close of the most recent fiscal year. The negative net position is solely attributed to the implementation of GASB 68 as the District recorded a net pension liability (including related deferred inflows and outflows of resources) in the amount of \$127,526,709.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)**

A comparative analysis of fiscal year 2015 to 2014 follows from the Statements of Net Position:

Net Position		
<u>Governmental Activities</u>		
	2014	
	(as restated)	
	2015	
	<u>2015</u>	
	<u>2014</u>	
Current assets	\$ 127,518,481	\$ 122,528,471
Capital assets	<u>53,939,276</u>	<u>53,466,470</u>
Total assets	<u>181,457,757</u>	<u>175,994,941</u>
Deferred outflows	<u>9,722,616</u>	<u>8,565,189</u>
Current liabilities	11,609,649	12,050,910
Long-term liabilities	<u>143,438,448</u>	<u>168,925,587</u>
Total liabilities	<u>155,048,097</u>	<u>180,976,497</u>
Deferred inflows	<u>65,489,693</u>	<u>42,301,396</u>
Net Position:		
Net investment in		
capital assets	33,148,460	29,807,643
Restricted	12,281,910	11,559,529
Unrestricted	<u>(74,787,787)</u>	<u>(80,084,935)</u>
Total net position	<u>\$ (29,357,417)</u>	<u>\$ (38,717,763)</u>

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the District, part of a bargained-for benefit to the employee, and should accordingly be reported by the District 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 this liability. 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)**

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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension 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 is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$91,141,283 to (\$38,717,763). A portion of the District's net position of \$9.3 million, represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing activities.

One of the largest portions of the District's net position of \$33.1 million reflects its net investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)**

**Changes in Net Position
Governmental Activities**

Program revenues:	<u>2015</u>	<u>2014</u>
Charges for services and sales	\$ 5,211,947	\$ 5,649,247
Operating grants and contributions	2,991,497	3,013,732
General revenues:		
Property taxes	74,686,093	73,314,180
Payment in lieu of taxes (PILOT)	2,138,012	1,457,190
Grants and entitlements not restricted to specific programs	13,777,026	13,746,706
Investment earnings	197,402	99,813
Miscellaneous	2,688,768	2,098,764
Total revenues	<u>101,690,745</u>	<u>99,379,632</u>
Program expenses:		
Instructional services	55,383,511	53,019,299
Support services	28,608,965	27,506,279
Extracurricular student activities	2,756,686	2,935,639
Food service operations	1,405,579	1,387,410
Community services	3,362,152	2,966,139
Interest on long-term debt	813,506	900,178
Total expenses	<u>92,330,399</u>	<u>88,714,944</u>
Change in net position	9,360,346	10,664,688
Net position at the beginning of the year, as restated	<u>(38,717,763)</u>	<u>NA</u>
Net position at end of year	<u>\$ (29,357,417)</u>	<u>\$ (38,717,763)</u>

Governmental Activities

In 2015, net position of the District's governmental activities increased by \$9,360,346. This increase is a result of revenues continuing to outpace expenses due to the passage of the aforementioned levy, as well as the decrease in net pension expense of approximately \$2.3 million due to the implementation of GASB 68.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts, for the effects of the initial implementation of GASB 68 is not available. Therefore the 2014 functional expenses still include pension expense of \$6,733,883 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$5,540,673. Consequently, in order to compare 2015 total program expense to 2014, the following adjustments are needed:

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)**

Total 2015 program expense under GASB 68	\$92,330,399
Pension expense under GASB 68	(5,540,673)
2015 required contributions	<u>7,151,770</u>
Adjusted 2015 program expense	93,941,496
Total 2014 program expense	<u>88,714,944</u>
Increase in program expense not related to pension	<u>\$5,226,552</u>

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

Programs	<u>2015</u>		<u>2014</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Instructional services	\$ 55,383,511	\$ 53,841,066	\$ 53,019,299	\$ 51,355,450
Support services	28,608,965	28,043,921	27,506,279	26,477,189
Extracurricular student activities	2,756,686	1,463,953	2,935,639	1,539,553
Food service operations	1,405,579	10,530	1,387,410	98,442
Community services	3,362,152	(46,021)	2,966,139	(318,847)
Interest on long-term debt	<u>813,506</u>	<u>813,506</u>	<u>900,178</u>	<u>900,178</u>
Total	<u>\$ 92,330,399</u>	<u>\$ 84,126,955</u>	<u>\$ 88,714,944</u>	<u>\$ 80,051,965</u>

Local property taxes and related PILOT revenues make up 75.5% of total revenues for governmental activities. The net cost of service column reflects the need for \$84,126,955 of support indicating the reliance on general revenues to support governmental activities.

The District's Funds

The District's governmental funds reported a combined fund balance of \$69,545,480, which represents an increase of \$4,281,326 as compared to last year's total of \$65,264,154 according to the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)**

The schedule below shows the fund balances and the total change in fund balances from June 30, 2015 to 2014.

	Fund Balance at June 30, 2015	Fund Balance at June 30, 2014	Increase (Decrease)
General Fund	\$ 57,579,300	\$ 54,244,639	\$ 3,334,661
Other Governmental Funds	11,966,180	11,019,515	946,665
Total	<u>\$ 69,545,480</u>	<u>\$ 65,264,154</u>	<u>\$ 4,281,326</u>

General Fund

The District's General Fund balance increase is a result of revenues continuing to outpace expenses due to the passage of the aforementioned levy, as well the District continuing to focus on maintaining expenses.

Other Governmental Funds

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$946,665. The increase is primarily related to the timing of receipts from various resources in advance of anticipated expenditures.

The tables that follow assist in illustrating the financial activities and balance of the General Fund.

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Property taxes	\$ 69,775,715	\$ 67,958,365	2.67%
Payments in lieu of taxes	2,138,012	1,457,190	46.72%
Intergovernmental	13,131,063	13,004,873	0.97%
Investment income	195,219	98,171	98.86%
Other revenue	3,303,421	2,056,955	60.60%
Total	<u>\$ 88,543,430</u>	<u>\$ 84,575,554</u>	4.69%

As the table below indicates, the largest portion of General Fund expenditures at 64.0% is for instructional services.

Expenditures by Function

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Instructional services	\$ 52,963,606	\$ 50,190,954	5.52%
Support services	28,374,208	26,216,576	8.23%
Co-curricular student activities	<u>1,417,458</u>	<u>1,408,099</u>	0.66%
Total	<u>\$ 82,755,272</u>	<u>\$ 77,815,629</u>	6.35%

Total General Fund expenditures increased 6.35% over the prior year.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)**

General Fund Budget Information

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

During the course of fiscal year 2015, the District amended its General Fund budget numerous times. For the General Fund, final budgeted revenues (certified revenues plus other financing sources) of \$87,040,934 were \$2,657,304 higher than the original budgeted revenues estimate of \$84,383,630. The actual budget basis revenues and other financing sources for fiscal year 2015 totaled \$87,190,381, which was \$149,447 higher than the final budget revenues.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$83,677,543 were increased to \$85,594,298 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$85,492,640, which was \$101,658 less than the final budget appropriations.

Changes in the current year budget, which is presented as required supplemental information, in the following basic financial statements are as follows:

- Revenues
The variance in revenues related to the final budget and actual amounts is less than 0.2%.
- Expenditures
Overall, the variance between actual expenditures and the final budget was less than 0.2% of the total budget which is acceptable to District management.

The District uses the five-year forecast as the original document from which to form the operating budget. After updating the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students in the specific buildings. Budgets are reviewed periodically to ensure management becomes aware of any variations during the year.

Capital Assets

At June 30, 2015 the District has \$53,939,276 in capital assets net of accumulated depreciation. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land	\$ 629,783	\$ 629,783	\$ -
Construction in progress	510,187	682,247	(172,060)
Land improvements	3,111,438	2,634,904	476,534
Building and improvements	87,615,689	86,016,116	1,599,573
Furniture, fixtures and equipment	7,930,845	7,038,254	892,591
Vehicles	2,590,464	2,539,096	51,368
Less: Accumulated depreciation	(48,449,130)	(46,073,930)	(2,375,200)
Totals	<u>\$ 53,939,276</u>	<u>\$ 53,466,470</u>	<u>\$472,806</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015, CONTINUED
(UNAUDITED)**

Additional information on the District's capital assets can be found in the notes to the basic financial statements. (Note 6)

Debt

On June 30, 2015, the District had \$22,275,792 in net long-term bonds outstanding. The District paid \$2,849,249 in principal on bonds and notes outstanding.

In July of 2012, the District issued House Bill 264 Energy Conservation Notes in the amount of \$1,973,000. The notes had a fixed interest rate of 1.35 percent and a maturity date not to exceed five years. The proceeds were used to fund energy efficiency improvements to its facilities with the cost savings used to pay for the improvements. The notes mature on June 1, 2017, however the District repaid this principal in June 2015 as part of the original issuance early redemption option.

Detailed information regarding long-term debt is included in the notes to the basic financial statements (See Note 7).

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2015, the District's general obligation debt was below the legal limit.

Economic Factors

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, tax payers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for monies it receives. Questions concerning any information in this report or request for additional information should be directed to Andrew L. Geistfeld, Treasurer, Upper Arlington City School District, 1950 North Mallway Drive, Upper Arlington, Ohio 43221.

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Equity in pooled cash & investments	\$ 49,598,672
Receivables	77,338,097
Due from other:	
Governments	442,003
Inventory	139,709
Land and Construction in Progress	1,139,970
Depreciable capital assets, net of accumulated depreciation	52,799,306
TOTAL ASSETS	<u>181,457,757</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	1,484,976
Pension	8,237,640
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,722,616</u>
LIABILITIES:	
Accounts payable	2,349,532
Due to other governments	1,608,937
Accrued interest payable	64,527
Accrued liabilities	7,586,653
Long-term Liabilities:	
Due within one year	3,372,113
Due in more than one year:	
Net pension liability	114,920,356
Other amounts due in more than one year	25,145,979
TOTAL LIABILITIES	<u>155,048,097</u>
DEFERRED INFLOWS OF RESOURCES:	
Property taxes	44,645,700
Pension	20,843,993
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>65,489,693</u>
NET POSITION	
Net investment in capital assets	33,148,460
Restricted for:	
Debt Service	3,538,593
Capital Outlay	5,725,434
Non-Public Schools	120,343
Special Education	359,967
Community Services	1,640,175
Student Activities	542,206
Other Purposes	355,192
Unrestricted	(74,787,787)
TOTAL NET POSITION	<u>\$ (29,357,417)</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Primary Government - Governmental Activities	
Governmental Activities				
Instructional services:				
Regular	\$ 43,604,157	\$ 233,061	\$ 113,986	\$ (43,257,110)
Special	11,634,578	-	1,195,398	(10,439,180)
Vocational	144,776	-	-	(144,776)
Support services:				
Operation and maintenance of plant	6,761,055	-	24,149	(6,736,906)
School Administration	5,214,921	-	211,215	(5,003,706)
Pupils	5,634,831	44,954	135,368	(5,454,509)
Fiscal	1,645,213	-	-	(1,645,213)
Business Operations	472,283	-	-	(472,283)
Instructional staff	4,071,868	-	68,042	(4,003,826)
Student transportation	1,694,080	-	66,916	(1,627,164)
Central services	3,087,371	-	14,400	(3,072,971)
General Administration	27,343	-	-	(27,343)
Extracurricular student activities	2,756,686	1,292,733	-	(1,463,953)
Food Service operations	1,405,579	1,333,320	61,729	(10,530)
Community services	3,362,152	2,307,879	1,100,294	46,021
Interest on long-term debt	813,506	-	-	(813,506)
Total Governmental Activities	\$ 92,330,399	\$ 5,211,947	\$ 2,991,497	\$ (84,126,955)
General revenues:				
Property taxes				74,686,093
Payment in lieu of taxes				2,138,012
Grants and entitlements not restricted to specific programs				13,777,026
Investment earnings				197,402
Miscellaneous				2,688,768
Total general revenues				93,487,301
Change in Net Position				9,360,346
Net Position Beginning of Year, as restated				(38,717,763)
Net Position End of Year				\$ (29,357,417)

The notes to the basic financial statements are an integral part of this statement.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS :			
Equity in pooled cash and investments	\$ 39,259,949	\$ 10,338,723	\$ 49,598,672
Receivables	71,594,880	5,743,217	77,338,097
Due from other:			
Governments	-	442,003	442,003
Funds	68,930	-	68,930
Interfund receivable	1,118	-	1,118
Inventory	121,600	18,109	139,709
TOTAL ASSETS	\$ 111,046,477	\$ 16,542,052	\$ 127,588,529
LIABILITIES:			
Accounts payable	1,880,722	468,810	2,349,532
Due to other:			
Governments	1,540,081	68,856	1,608,937
Funds	-	68,930	68,930
Interfund payable	-	1,118	1,118
Accrued liabilities	7,389,572	197,081	7,586,653
TOTAL LIABILITIES	10,810,375	804,795	11,615,170
DEFERRED INFLOWS OF RESOURCES	42,656,802	3,771,077	46,427,879
FUND BALANCES:			
Nonspendable -			
Inventories	121,600	18,109	139,709
Restricted for:			
Debt Service	-	3,546,880	3,546,880
Capital Outlay	-	5,672,743	5,672,743
Non-Public Schools	-	157,717	157,717
Special Education	-	1,690	1,690
Community Activities	-	1,756,580	1,756,580
Student Activities	-	542,206	542,206
Other Purposes	-	350,178	350,178
Committed			
Medical insurance	802,924	-	802,924
Workers compensation	760,628	-	760,628
Assigned	815,743	-	815,743
Unassigned	55,078,405	(79,923)	54,998,482
TOTAL FUND BALANCES	57,579,300	11,966,180	69,545,480
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 111,046,477	\$ 16,542,052	\$ 127,588,529

The notes to the basic financial statements are an integral part of this statement.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total Governmental Fund Balances	\$ 69,545,480
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	53,939,276
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	1,782,179
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred outflows - Pension	8,237,640
Deferred inflows - Pension	(20,843,993)
Net pension liability	(114,920,356)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable	(64,527)
Compensated absences	(6,242,300)
Bonds payable	(20,490,000)
Premium on bonds, net	(1,785,792)
Deferred amounts on refundings, net	1,484,976
Net Position of Governmental Activities	<u>\$ (29,357,417)</u>

The notes to the basic financial statements are an integral part of this statement.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
Property taxes	\$ 69,775,715	\$ 5,643,953	\$ 75,419,668
Payments in lieu of taxes	2,138,012	-	2,138,012
Intergovernmental:			
Federal Restricted Grants-in-aid	-	1,498,423	1,498,423
State:			
Unrestricted Grants-in-aid	13,013,356	807,722	13,821,078
Restricted Grants-in-aid	117,707	1,354,488	1,472,195
Investment income	195,219	2,524	197,743
Charges for services	665,866	3,619,145	4,285,011
Co-curricular activities	189,173	1,034,944	1,224,117
Other	<u>2,448,382</u>	<u>377,259</u>	<u>2,825,641</u>
TOTAL REVENUES	<u>88,543,430</u>	<u>14,338,458</u>	<u>102,881,888</u>
EXPENDITURES:			
Current:			
Instructional services:			
Regular	41,956,400	1,094,791	43,051,191
Special	10,862,430	972,103	11,834,533
Vocational	<u>144,776</u>	<u>-</u>	<u>144,776</u>
TOTAL INSTRUCTIONAL SERVICES	<u>52,963,606</u>	<u>2,066,894</u>	<u>55,030,500</u>
Support services:			
Operation and maintenance of plant	6,882,233	39,539	6,921,772
School administration	5,050,127	244,630	5,294,757
Pupils	5,598,026	158,715	5,756,741
Fiscal	1,581,229	63,411	1,644,640
Business operations	473,677	-	473,677
Instructional staff	4,100,283	317,776	4,418,059
Student transportation	1,566,395	146,921	1,713,316
Central services	3,094,487	7,200	3,101,687
General administration	<u>27,751</u>	<u>-</u>	<u>27,751</u>
TOTAL SUPPORT SERVICES	<u>28,374,208</u>	<u>978,192</u>	<u>29,352,400</u>
Co-curricular student activities	1,417,458	1,220,833	2,638,291
Community services	-	3,394,502	3,394,502
Food service	-	1,429,365	1,429,365
Capital outlay	-	2,367,680	2,367,680
Debt service:			
Principal retirement	-	2,849,249	2,849,249
Interest	<u>-</u>	<u>1,538,575</u>	<u>1,538,575</u>
TOTAL EXPENDITURES	<u>82,755,272</u>	<u>15,845,290</u>	<u>98,600,562</u>
Excess (deficiency) of revenues over expenditures	5,788,158	(1,506,832)	4,281,326
OTHER FINANCING SOURCES (USES):			
Transfers in	-	2,453,497	2,453,497
Transfers out	<u>(2,453,497)</u>	<u>-</u>	<u>(2,453,497)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,453,497)</u>	<u>2,453,497</u>	<u>-</u>
Change in Fund Balances	3,334,661	946,665	4,281,326
FUND BALANCES AT BEGINNING OF YEAR	<u>54,244,639</u>	<u>11,019,515</u>	<u>65,264,154</u>
FUND BALANCE AT END OF YEAR	<u>\$ 57,579,300</u>	<u>\$ 11,966,180</u>	<u>\$ 69,545,480</u>

The notes to the basic financial statements are an integral part of this statement.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Changes in Fund Balances - Total Governmental Funds \$ 4,281,326

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. This is the amount
by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 2,898,276		
Donation	4,200		
Depreciation	<u>(2,429,670)</u>		472,806

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenue in the funds. (1,195,343)

Repayment of principal and accumulated accretion on debt obligations is an expenditure
in governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position
and does not result in an expense in the statement of activities.

Principal	2,849,249		
Accumulated accretion	<u>747,505</u>		3,596,754

Contractually required pension contributions are reported as expenditures in governmental funds;
however, the Statement of Activities reports these amounts as deferred outflows. 417,887

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability
are reported as pension expense in the Statement of Activities 1,914,450

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and therefore are not reported
as expenditures in governmental funds.

Compensated absences			(105,098)
Accretion			(42,182)
Amortization, net			18,762
Interest expense			984

Change in Net Position of Governmental Activities \$ 9,360,346

The notes to the basic financial statements are an integral part of this statement.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>AGENCY FUND</u>
ASSETS:	
Equity in pooled cash and investments	\$ 232,703
TOTAL ASSETS	<u>\$ 232,703</u>
LIABILITIES:	
Accounts payable	\$ 4,886
Due to:	
Student Activities	222,682
Others	5,135
TOTAL LIABILITIES	<u>\$ 232,703</u>

The notes to the basic financial statements are an integral part of this statement.

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Description of the School and Reporting Entity

The Upper Arlington City School District, Franklin County, Ohio (the District) was organized in 1918 and is a fiscally independent political subdivision of the State of Ohio, Franklin County, Ohio. The District is governed by a five-member Board of Education (the Board) elected by the citizens of Upper Arlington. The District is comprised of 8 schools and other buildings and departments that employ approximately 745 employees. Our student population is 5,810 students, excluding Community Schools' enrollment.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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 following organizations are described due to their relationship to the District:

JOINT VENTURE WITHOUT EQUITY INTEREST

Rockbridge Academy

The Rockbridge Academy is a joint venture consisting of a consortium of four school districts. The District does have an ongoing financial obligation to support the Rockbridge Academy's operations. See Note 12 to the basic financial statements.

Burbank Park

Burbank Park is an agreement between the City of Upper Arlington (the City) and the District to provide recreational facilities at Burbank Park. See Note 12 to the basic financial statements.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

1. Description of the School and Reporting Entity Policies (Continued)

JOINTLY GOVERNED ORGANIZATION

META Solutions (formerly Tri-Rivers Educational Computer Association (TRECA))

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. Financial information can be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

Additionally, within the District boundaries, St. Agatha, St. Andrew, and Wellington, are privately operated schools. The State provides funding for these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic school. This financial activity is reflected in other governmental funds for reporting purposes.

2. Summary of Significant Accounting Policies

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

(A) *Basis of Presentation*

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements which provide a more detailed level of fund information.

(B) *Government-wide and fund financial statements*

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(B) *Government-wide and fund financial statements (Continued)*

The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The government - wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund.

(C) Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following *major* governmental fund:

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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(C) *Fund Accounting* (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds. These funds are used to account for student managed activity programs and the Ohio High School Athletic Association activity. The District has not established any of the above trust funds.

(D) *Measurement focus*

The government-wide financial statements are reported using the *economic resources measurement focus*. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Position.

All governmental funds are accounted for using a flow of *current financial resources measurement focus* with this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

(E) *Basis of Accounting*

Basis of accounting determines when a transaction is recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(E) *Basis of Accounting (Continued)*

For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes (PILOTs), grants, entitlements, and donations. Revenue from property taxes and PILOTs are recognized in the fiscal year for which the taxes 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. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. The deferred outflows related to pensions are explained in Note 10.

In additions to liabilities, the statements of financial position will 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 include property taxes, payments in lieu of taxes (PILOTs), pension, and unavailable revenues. Property taxes and PILOT's are recognized as revenue in the fiscal year for which taxes have been levied, provided they are collected and certified by the county auditor by the fiscal year-end. Additionally, taxes collected more than thirty days after fiscal year-end are recorded as a receivable with an offset to deferred inflows for amounts not collected and available for advance on June 30 by the county auditor. Tuition, grants, investment earnings, and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as a receivable or revenue, or deferred inflows of the current fiscal period. The deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 10 for further information.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(E) *Basis of Accounting (Continued)*

Expenditures/Expenses

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than on expenses. Expenditures are recorded when the related liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employee. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized on the government-wide financial statements recognizes revenues when they are earned, and expenses are recognized at the time they are incurred.

(F) *Budgetary Process*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level must be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and the Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the budget is filed with the Franklin County Budget Commission for rate determination.

Estimated Resources:

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year do not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(F) *Budgetary Process (Continued)*

The amounts reported as the final budgeted amounts in the budgetary schedule reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

Appropriations:

Upon receipt from the County Auditor of an amended official certificate of estimated resources based on the final assessed values and tax rates or a certificate stating no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the final budgeted amounts represent the final appropriations passed by the Board during the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all funds, including the Debt Service Fund, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are not reported.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

(G) *Cash and Investments*

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(G) *Cash and Investments (Continued)*

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$195,219, of which \$19,691 was assigned from other funds.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and certificates of deposits are reported at cost.

(H) *Inventory*

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

(I) *Capital Assets and Depreciation*

Capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide Statement of Net Position but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$2,500 and a useful life of less than one year. The District does not possess any infrastructure.

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

Land improvements	20
Buildings and building improvements	15-50
Furniture and equipment	5-20
Vehicles	8-15

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(J) *Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or 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 and uses in governmental funds.

On fund financial statements, short-term interfund loans are classified as Due to/from other funds. These amounts are eliminated in the Statement of Net Position.

(K) *Compensated Absences*

Administrators and classified staff who work twelve month contracts are granted vacation leave. The leave amount is based on length of service and position. The District accrues vacation leave benefits as earned. Accrued vacation may be carried forward to the next fiscal year. The maximum amount to be carried at any one time is two times the annual number of days.

District employees are granted vacation, personal leave, and sick leave in varying amounts. All leave will either be absorbed by time off from work, or with certain limitations, be paid to the employees when their employment ceases. Sick leave benefits are only paid upon retirement at the rate of 25% up to a maximum amount of days as determined by negotiated agreements with the two bargaining units and Board policy for all other employees. The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The noncurrent portion of the liability is not recorded. The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The District uses the vesting method in determining the liability of sick leave recorded in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". The timing of future payments for vacation and sick leave is dependent on many factors and therefore not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick leave when such payments become due.

(L) *Accrued Liabilities and Long-term Debt*

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, and are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(M) *Net Position*

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide Statement of Net Position reports \$12,281,910 of restricted net position, of which none is restricted by enabling legislation.

Net position restricted for other purposes include resources restricted for state and federal grants restricted to expenditures for specified purposes.

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

(N) *Fund Balances*

In accordance with Governmental Accounting Standards Board Statement 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 are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

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

Committed – resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned

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

The District does not have a formal minimum fund balance policy.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(O) *Estimates*

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

(P) *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. At June 30, 2015, the District had no events which qualified as an extraordinary or special item.

(Q) *Unamortized Bond Premium and Deferred Amounts on Refunding*

In the government-wide financial statements bond premiums and deferred amounts on refunding are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Deferred amounts on refunding are recorded as deferred outflows and amortized over the term of the related debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(R) *Restricted Assets*

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District has no restricted assets.

(S) *Pensions*

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

3. Change in Accounting Principles and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported at June 30, 2014:

Net position June 30, 2014	\$91,141,283
Adjustments:	
Net Pension Liability	(136,592,929)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>6,733,883</u>
 Restated Net Position June 30, 2014	 <u><u>(\$38,717,763)</u></u>

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.

4. Deposits and Investments

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

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

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

4. Deposits and Investments (Continued)

Interim monies may be invested in the following obligations:

- 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 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, 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 governmental 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; The State Treasurer's investment pool (STAR Ohio);
- 6) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
- 7) Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched-to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon the 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.

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2015, the District and public depositories complied with the provisions of these statutes.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

4. Deposits and Investments (Continued)

At year-end, the carrying amount of all District deposits was \$34,791,725, exclusive of \$600 in cash on hand. The combined bank balance was \$36,536,314 of which \$14,708,325 was covered by FDIC insurance and \$21,827,989 was uninsured. Of the remaining uninsured bank balance, all was collateralized with eligible securities held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits are also collateralized with specific collateral held at the Federal Reserve Bank in the name of the District.

Investments:

As of June 30, 2015, the District had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 98,501	1
FFCB	1,996,350	Greater than 24 months
FHLB	4,166,078	Greater than 24 months
FHLMC	6,372,686	Greater than 24 months
FNMA	499,235	Greater than 24 months
Negotiable CD's	<u>1,906,200</u>	12 to 24 months
Total Investments	<u>\$15,039,050</u>	

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. As a means of limiting exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk

The District's investments in FFCB, FHLB, FHLMC, & FNMA listed above were rated AA+ and Aaa by Moody's Investor Services and, Standard and Poor's respectively. Standard and Poor's has assigned STAROhio an AAAM money market rating.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's total investments, 13.27% are included in FFCB, 27.70% in FHLBs, 42.37% in FHLMC and 3.32% in FNMA, while 0.65% is in STAROhio and 12.69% is in negotiable certificates of deposits.

5. Receivables and Deferred Inflows

Receivables at June 30, 2015, consist of the following:

Governmental activities:	<u>Taxes</u>	<u>PILOT's</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
General	\$ 69,783,000	\$ 1,611,102	\$ 70,371	\$ 130,407	\$ 71,594,880
Other governmental funds	<u>5,722,000</u>	<u>-</u>	<u>1,143</u>	<u>20,074</u>	<u>5,743,217</u>
Total Governmental Activities	<u>\$ 75,505,000</u>	<u>\$ 1,611,102</u>	<u>\$ 71,514</u>	<u>\$ 150,481</u>	<u>\$ 77,338,097</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

5. Receivables and Deferred Inflows (Continued)

Deferred Inflows at June 30, 2015, consist of the following:

Governmental activities:	Taxes	PILOT's	Intergovernmental Revenues	Totals
General	\$ 41,909,900	\$ 746,902	\$ -	\$ 42,656,802
Other governmental funds	3,412,800	-	358,277	3,771,077
Total Governmental Activities	\$ 45,322,700	\$ 746,902	\$ 358,277	\$ 46,427,879

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2015, follows:

	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
<u>Governmental Activities Cost</u>					
Land	\$ 629,783	\$ -	\$ -	\$ -	\$ 629,783
Construction in progress	682,247	510,187	-	(682,247)	510,187
Land improvements	2,634,904	328,646	-	147,888	3,111,438
Building and improvements	86,016,116	1,065,214	-	534,359	87,615,689
Furniture, fixtures and equipment	7,038,254	914,493	21,902	-	7,930,845
Vehicles	2,539,096	83,936	32,568	-	2,590,464
Total at cost	99,540,400	2,902,476	54,470	-	102,388,406
<u>Less accumulated depreciation</u>					
Land improvements	1,492,007	118,755	-	-	1,610,762
Building and improvements	37,918,184	1,822,222	-	-	39,740,406
Furniture, fixtures and equipment	5,172,465	341,146	21,902	-	5,491,709
Vehicles	1,491,274	147,547	32,568	-	1,606,253
Total accumulated depreciation	46,073,930	2,429,670	54,470	-	48,449,130
Capital assets, net	\$ 53,466,470	\$ 472,806	\$ -	\$ -	\$ 53,939,276

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

6. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$1,783,824
Special	32,442
Support services:	
Pupils	96,768
Instructional staff	18,649
Administration	15,142
Operation and maintenance of plant	195,310
Student transportation	139,657
Extra-curricular activities	143,038
Community Service	448
Food service operations	<u>4,392</u>
Total depreciation expense	<u>\$2,429,670</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

7. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2015, follows:

Debt Issuance		7/1/2014			6/30/2015		Due within
	<u>Issued</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>1 yr</u>	
2013 Refunding Issue Bonds	2013	\$ 18,630,000	\$ -	\$ (290,000)	\$ 18,340,000	\$	290,000
Premium on Refunding Bonds	2013	2,150,884	-	(365,092)	1,785,792		359,223
2005 Refunding Issue Bonds	2005	3,517,495	-	(1,367,495)	2,150,000		2,150,000
2005 Bonds Interest Accretion	2005	<u>705,323</u>	<u>42,182</u>	<u>(747,505)</u>	<u>-</u>		<u>-</u>
Refunding Bonds Payable		<u>25,003,702</u>	<u>42,182</u>	<u>(2,770,092)</u>	<u>22,275,792</u>		<u>2,799,223</u>
Net bonds outstanding		25,003,702	42,182	(2,770,092)	22,275,792		2,799,223
Energy Conservation note	2013	<u>1,191,754</u>	<u>-</u>	<u>(1,191,754)</u>	<u>-</u>		<u>-</u>
Total long term debt		<u>26,195,456</u>	<u>42,182</u>	<u>(3,961,846)</u>	<u>22,275,792</u>		<u>2,799,223</u>
Net pension liability:							
STRS	N/A	115,023,848	-	(18,459,937)	96,563,911		-
SERS	N/A	<u>21,569,081</u>	<u>-</u>	<u>(3,212,636)</u>	<u>18,356,445</u>		<u>-</u>
		136,592,929	-	(21,672,573)	114,920,356		-
Compensated Absences	N/A	<u>6,137,202</u>	<u>669,616</u>	<u>(564,518)</u>	<u>6,242,300</u>		<u>572,890</u>
Total Long-Term Obligations		<u>\$168,925,587</u>	<u>\$ 711,798</u>	<u>\$ (564,518)</u>	<u>\$ 143,438,448</u>		<u>\$ 3,372,113</u>
Deferred outflows							
Deferred Pension	N/A	(6,733,883)	(8,509,107)	7,005,350	(8,237,640)		
Deferred Amount on Refunding	2013	<u>(1,831,306)</u>	<u>-</u>	<u>346,330</u>	<u>(1,484,976)</u>		
Total deferred outflows		<u>\$ (8,565,189)</u>	<u>\$(8,509,107)</u>	<u>\$ 7,351,680</u>	<u>\$ (9,722,616)</u>		

The general obligation bonds and notes are a direct obligation of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

In the opinion of management, the District has complied with all bond covenants.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

7. Long-Term Obligations (Continued)

The annual maturities of the general obligation bonds (at par) as of June 30, 2015, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2016	.25-5.125	2,440,000	719,781
2017	.25-5.125	2,305,000	656,014
2018	.25-5.125	2,375,000	634,919
2019	.25-5.125	2,450,000	574,044
2020	.25-5.125	2,595,000	460,169
2021-2023	.25-5.125	8,325,000	614,797
 Total		<u>\$ 20,490,000</u>	<u>\$ 3,659,724</u>

Not included in the above amounts as of June 30, 2015 are \$19,230,000 of bonds that the District defeased May 14, 2013. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the District's financial statements.

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. An exception to the 9% limit is provided in ORC 133.06(E). At June 30, 2015 the District's total net debt was .99% of the total assessed value of all property within the District.

8. Capital Lease Obligation

The District had no capital lease obligations as of June 30, 2015.

9. Notes Payable

In July of 2012, the District issued House Bill 264 Energy Conservation Notes in the amount of \$1,973,000. The notes have a fixed interest rate of 1.35 percent and a maturity date not to exceed five years. The proceeds were used to fund energy efficiency improvements to its facilities with the cost savings used to pay for the improvements. The notes mature on June 1, 2017. The District repaid these notes in June 2015, the call date.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

10. Defined Benefit Pension Plans

Net Pension Liability

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

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

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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

School Employees Retirement System (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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contributions to SERS for the years ended June 30, 2015, 2014, and 2013 were \$1,357,527 \$1,460,779 and \$1,466,490, respectively, which equaled the required contributions each year.

State Teachers Retirement System

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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

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

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

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

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

State Teachers Retirement System (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2015, 2014, and 2013 were \$5,794,243, \$5,273,104 and \$5,965,092, respectively; 100% has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2015, three members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

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, 2014, 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	\$18,356,445	\$96,563,911	\$114,920,356
Proportion of the Net Pension Liability	0.362708%	0.003970%	
Pension Expense	\$1,079,509	\$4,461,164	\$5,540,673

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

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

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$156,233	\$929,637	\$1,085,870
School District contributions subsequent to the measurement date	1,357,527	5,794,243	7,151,770
Total Deferred Outflows of Resources	<u>\$1,513,760</u>	<u>\$6,723,880</u>	<u>\$8,237,640</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,979,303	\$17,864,690	\$20,843,993
Total Deferred Inflows of Resources	<u>\$2,979,303</u>	<u>\$17,864,690</u>	<u>\$20,843,993</u>

\$7,151,770 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	\$705,768	\$4,233,763	\$4,939,531
2017	705,768	4,233,763	4,939,531
2018	705,767	4,233,763	4,939,530
2019	705,767	4,233,764	4,939,531
Total	<u>\$2,823,070</u>	<u>\$16,935,053</u>	<u>\$19,758,123</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The most recent experience study was completed June 30, 2010.

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – SERS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$26,189,193	\$18,356,445	\$11,768,427

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$138,241,767	\$96,563,911	\$61,318,469

11. Post employment Benefits Other than Pension Benefits

School Employees Retirement System

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

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2015, the actuarially required allocation is .74%. The District's contributions for the years ended June 30, 2015, 2014 and 2013 were \$76,219, \$80,100, and \$77,514, respectively, which equaled the required contributions each year.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

11. Post employment Benefits Other than Pension Benefits (Continued)

School Employees Retirement System (Continued)

Health Care Plan

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 exclusive of the surcharge amounts were \$84,458, \$14,755, and \$16,760, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a monthly premium. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

11. Post employment Benefits Other than Pension Benefits (Continued)

State Teachers Retirement System (Continued)

Funding Policy –Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocated employer contributions to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$417,739, and \$426,078, respectively; 100% has been contributed for fiscal year 2014 and 2013, respectively

12. Joint Venture Without Equity Interest

Rockbridge Academy

The Rockbridge Academy (the Academy) is a joint venture consisting of a consortium of four schools districts. The joint venture was formed for the purpose of providing alternative education services to at risk students. The Governing Board of the Academy consists of six members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the joint venture, however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The Academy is dependent upon continued support of the member schools as it is not independently accumulating adequate financial resources.

The Educational Service Center of Central Ohio (ESC) is the fiscal agent for the Academy. Further detailed financial information may be obtained by contacting the ESC at 614-445-3750.

Burbank Park

In 2003 the City of Upper Arlington (the City) and the Upper Arlington City School District (the District) entered into a joint operating agreement to provide recreational facilities at Burbank Park for the benefit of the residents of the City. Whereas, pursuant to Ohio Revised Code Section 755.16, this agreement shall establish the working partnership between the City and the District regarding joint acquisition and construction of the project, as well as its shared operation and maintenance. The agreement establishes a four (4) member operations committee consisting of the Superintendent of the District, the City Manager, the School District’s Athletic Director, and the Parks and Recreation Director of the City.

The Agreement shall exist until:

One year from date of certificate of establishment (July 11, 2003), and shall automatically renew for consecutive periods of one (1) year each for so long as the project is used for public athletic and recreational uses for the benefit of the residents of the City.

13. 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

13. Property Taxes (Continued)

Property taxes include amounts levied against all real, public utility property, and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes.

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

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2015 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 and the late personal property tax settlement were levied to finance current fiscal year operations.

On a full accrual basis, collectible delinquent property taxes and the amount available as an advance have been recorded as a receivable and revenue while the rest of the receivable is deferred. On a modified accrual basis, only the amount available as an advance is recognized as revenue.

The assessed values upon which the fiscal year 2015 taxes were collected are:

Real Estate	\$ 1,694,226,110
Public Utility	25,439,400
Total	<u>\$ 1,719,665,510</u>

14. Contingent Liabilities

The Federal and State Grants remain subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's administration believes such disallowances, if any, would be immaterial.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

14. Contingent Liabilities (Continued)

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula of the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financials statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the District.

15. Set-Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The budget stabilization reserve is optional; however, the Board elected by resolution to continue the reserve as permitted by law. The budget stabilization reserve reflects the monies designated by the Board of Education to be used to offset a budget deficit if it should occur. There are no requirements for additions to the budget stabilization reserve.

The following cash basis information describes the changes in the year end set-aside amounts each reserve:

	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserve</u>
Set-aside cash balance as of June 30, 2014	\$ -	\$ 1,165,304
Current year set-aside requirement	953,837	-
Current year offsets	(3,163,374)	-
Qualifying disbursements	<u>(199,984)</u>	<u>(1,165,304)</u>
Total	<u>\$ (2,409,521)</u>	<u>\$ -</u>
Balance carried forward to FY 2016	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the Capital Acquisition Reserve. However, this amount may not be used to reduce the set-aside requirement for future fiscal years. In April 2015, the Board of Education rescinded the District's Budget Stabilization Reserve account and transferred the monies to the General fund as allowed under Ohio Revised Code.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

16. Risk Management

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 fiscal year 2015 the District contracted with an independent insurance provider for general liability insurance with an \$8 million umbrella coverage.

The District maintains property insurance of approximately \$142 million. Property and fleet insurance is provided by an independent insurance provider and property holds a \$5,000 deductible and the bus fleet and maintenance vehicles have a \$500 deductible and a \$1,000,000 limit per occurrence. A \$250,000 employee dishonesty blanket bond is also included for all employees.

The Fidelity Depository Company of Maryland maintains a \$100,000 public official bond for the Treasurer and Business Manager.

There has been no significant reduction in insurance coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

On September 1, 2012 the District became self-insured in connection with a formalized risk management program in an effort to control claims and costs related to injured workers' compensation. The District pays into the self-insured fund, which is accounted for in the General Fund, a percentage of the covered employee's salary. The rate is fixed and determined annually based on claims experience. The rate for fiscal year 2015 was 0.57% and is paid by the fund from which the employee is paid. The District contracts with a third party to manage claims and also purchased stop-loss coverage for claims exceeding \$400,000. A claims liability of \$67,319 was recorded at June 30, 2015. This amount represents an estimate of incurred but unpaid and unreported claims at year end, known claims, as well as an estimate of the claims liability that was previously administered via the State's Workers Compensation Plan (BWC). This liability is included in the "Accounts Payable" amounts on the Statement of Net Position at June 30, 2015.

Effective January 1, 2014, all enrolled employees are covered under the District's self-insurance plan for health insurance, which is accounted for in the General Fund. The District pays various percentages of premium contributions based on employee classification. These costs are allocated to the fund that pays the salary of the enrolled employee, and are accounted for as expenditures in the paying funds and charges

for services in the General Fund. The claims liability of \$506,000 at June 30, 2015, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No.10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. This liability is included in the "Accounts Payable" amounts on the Statement of Net Position at June 30, 2015.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

17. Interfund Transactions

- A. Due to/from balances at June 30, 2015 as reported on the fund statements, consist of the following amounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Summer Academy – Special Revenue	\$ 9,685
General Fund	Misc. State Grant – Special Revenue	\$ 1,117
General Fund	Special Education Grant – Special Revenue	\$ 47,711
General Fund	LEP Grant – Special Revenue	\$
		10,417

The primary purpose of the due to/due from balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Due to/due from balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the Statement of Net Position.

- B. Interfund balances at June 30, 2015 as reported on the fund statements, consist of the following amounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service -Special Revenue	\$ 256
General Fund	Summer Academy – Special Revenue	\$ 63
General Fund	Auxiliary Schools – Special Revenue	\$ 133
General Fund	Special Education Grant – Special Revenue	\$ 449
General Fund	Targeted Assistance Grant – Special Revenue	\$ 217

The primary purpose of the interfund balances is to cover charges for workers compensation costs. See Note 16 above.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the Statement of Net Position.

- C. Interfund transfers for the year ended June 30, 2015, consisted of the following operating transfers from the General Fund to other governmental funds:

Debt Service	\$ 1,207,843
Capital Projects	1,165,304
Food Service Fund	30,000
District Managed Student Activities Fund	50,350
	<u>\$ 2,453,497</u>

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

17. Interfund Transactions (Continued)

The above operating transfers were used to supplement the operations of such funds.

All transfers are considered allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 68,593,000	\$ 69,948,000	70,030,515	\$ 82,515
Intergovernmental	13,152,130	13,173,130	13,168,628	(4,502)
Interest	100,000	150,000	176,136	26,136
Tuition and Fees	140,000	140,000	141,863	1,863
Rent	200,000	234,000	234,548	548
Extracurricular Activities	170,000	174,000	176,905	2,905
Gifts and Donations	80,000	80,000	83,673	3,673
Miscellaneous	1,540,500	1,568,500	1,603,793	35,293
Total Revenues	<u>\$ 83,975,630</u>	<u>\$ 85,467,630</u>	<u>\$ 85,616,061</u>	<u>\$ 148,431</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	\$ 41,306,356	\$ 41,705,184	\$ 41,691,626	\$ 13,558
Special	9,848,805	9,898,016	9,883,888	14,128
Vocational	127,621	154,081	144,776	9,305
Student Intervention Services	1,416,190	1,532,156	1,532,081	75
Support Services:				
Pupils	5,589,670	5,591,348	5,570,668	20,680
Instructional Staff	4,890,497	4,487,804	4,474,414	13,390
Board of Education	49,367	30,770	30,137	633
Administration	5,203,818	5,118,078	5,109,301	8,777
Fiscal	1,775,057	1,597,265	1,591,808	5,457
Business	509,890	533,936	532,892	1,044
Operation and Maintenance of Plant	7,436,491	7,308,232	7,304,332	3,900
Pupil Transportation	1,651,837	1,551,851	1,550,819	1,032
Central	1,113,459	1,067,849	1,065,060	2,789
Operation of Non-Instructional Services:				
Food Service Operations	34,360	22,787	22,737	50
Extracurricular Activities:				
Academic Oriented Activities	208,843	203,873	203,857	16
Sport Oriented Activities	996,235	1,034,299	1,033,364	935
School and Public Service Co-Curricular Activities	47,423	62,310	62,302	8
Total Expenditures	<u>\$ 82,205,919</u>	<u>\$ 81,899,839</u>	<u>\$ 81,804,062</u>	<u>\$ 95,777</u>
Excess of Revenues Over (Under) Expenditures	<u>1,769,711</u>	<u>3,567,791</u>	<u>3,811,999</u>	<u>244,208</u>
OTHER FINANCING SOURCES AND USES:				
Advances In	388,000	388,000	388,057	57
Transfers In	-	1,165,304	1,165,304	-
Refund of Prior Year Expenditures	20,000	20,000	20,959	959
Transfers Out	(1,418,350)	(3,623,959)	(3,618,801)	5,158
Advances Out	(50,000)	(70,000)	(69,656)	344
Refund of Prior Year Receipts	(2,500)	(500)	(121)	379
Other Uses of Funds	(774)	-	-	-
Total Other Financing Sources and Uses	<u>\$ (1,063,624)</u>	<u>\$ (2,121,155)</u>	<u>\$ (2,114,258)</u>	<u>\$ 6,897</u>
Net Change in Fund Balances	706,087	1,446,636	1,697,741	251,105
Fund Balance (Deficit) at Beginning of Year	31,358,016	31,358,016	31,358,016	-
Prior Year Encumbrances Appropriated	1,396,308	1,396,308	1,396,308	-
Fund Balance (Deficit) at End of Year	<u>\$ 33,460,411</u>	<u>\$ 34,200,960</u>	<u>\$ 34,452,065</u>	<u>\$ 251,105</u>

**UPPER ARLINGTON CITY SCHOOLS
FRANKLIN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.3627080%	0.3627080%
District's Proportionate Share of the Net Pension Liability	\$ 18,356,445	\$ 21,569,081
District's Covered-Employee payroll	\$ 10,539,531	\$ 10,596,026
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.17%	203.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end

**UPPER ARLINGTON CITY SCHOOLS
FRANKLIN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.3970%	0.3970%
District's Proportionate Share of the Net Pension Liability	\$ 96,563,911	\$ 115,023,848
District's Covered-Employee payroll	\$ 40,562,338	\$ 45,885,323
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.06%	250.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end

**UPPER ARLINGTON CITY SCHOOLS
FRANKLIN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contributions	\$ 1,357,527	\$ 1,460,779	\$ 1,466,490	\$ 1,451,961
Contributions in Relation to the Contractually Required Contributions	(1,357,527)	(1,460,779)	(1,466,490)	(1,451,961)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 10,299,901	\$ 10,539,531	\$ 10,596,026	\$ 10,795,249
Contributions as a percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,428,021	\$ 1,366,593	\$ 1,283,480	\$ 1,227,360	\$ 1,332,000	\$ 1,302,924
(1,428,021)	(1,366,593)	(1,283,480)	(1,227,360)	(1,332,000)	(1,302,924)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,360,549	\$ 10,093,006	\$ 13,043,496	\$ 12,498,574	\$ 12,471,910	\$ 12,314,972
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**UPPER ARLINGTON CITY SCHOOLS
FRANKLIN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contributions	\$ 5,794,243	\$ 5,273,104	\$ 5,965,092	\$ 5,828,724
Contributions in Relation to the Contractually Required Contributions	(5,794,243)	(5,273,104)	(5,965,092)	(5,828,724)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323	\$ 44,836,338
Contributions as a percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 5,860,956	\$ 5,826,576	\$ 5,761,764	\$ 4,955,139	\$ 5,097,000	\$ 4,965,432
(5,860,956)	(5,826,576)	(5,761,764)	(4,955,139)	(5,097,000)	(4,965,432)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 45,084,277	\$ 44,819,815	\$ 44,321,262	\$ 38,116,454	\$ 39,207,692	\$ 38,195,631
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. Budgetary Information

All governmental funds are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditures budget data:

- (1) A Tax Budget of estimated cash receipts and disbursements is submitted to the Franklin County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Upper Arlington Board of Education holds a budget hearing when it normally adopts the Tax Budget at the first regular meeting in January, following the budget hearing.
- (2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.
- (3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Upper Arlington Board of Education adopted its 2015 permanent appropriation measure at its September 9, 2014 regular meeting. The Board of Education adopted at the June 24, 2014 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

B. Reconciling Budgetary Basis and GAAP

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the Budgetary Comparison Schedule—General Fund in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- B. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis).

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

A reconciliation of the General Fund results of operations at the end of the year on the GAAP basis to the budget basis follows:

Change in net position	\$ 3,334,661
Adjustments:	
Due to revenues	(580,979)
Due to expenditures	(2,039,947)
Due to other financing sources	339,240
Funds budgeted as other funds	644,766
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u>\$ 1,697,741</u>

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Award Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Donation)	2015	10.555	\$ 30,236	\$ 30,236
National School Lunch Program	2015	10.555	34,587	34,587
Total Child Nutrition Cluster			<u>64,823</u>	<u>64,823</u>
Total U.S. Department of Agriculture			<u>64,823</u>	<u>64,823</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2015	84.010	272,193	271,131
Title I Grants to Local Educational Agencies	2014	84.010	49,950	45,907
Total Title I Grants to Local Educational Agencies			<u>322,143</u>	<u>317,038</u>
Special Education Cluster:				
Special Education Grants to States	2015	84.027	952,383	951,664
Special Education Grants to States	2014	84.027	175,087	157,075
Non-Cash Assistance - Special Education Preschool Grants	2015	84.173	16,978	16,978
Total Special Education Cluster			<u>1,144,448</u>	<u>1,125,717</u>
English Language Acquisition Grants - Limited English Proficient	2015	84.365	22,242	22,242
Improving Teacher Quality State Grants	2015	84.367	69,246	67,556
Improving Teacher Quality State Grants	2014	84.367	3,154	7,763
Total Improving Teacher Quality State Grants			<u>72,400</u>	<u>75,319</u>
Total U.S. Department of Education			<u>1,561,233</u>	<u>1,540,316</u>
Total Federal Awards Expenditures			<u>\$ 1,626,056</u>	<u>\$ 1,605,139</u>

The accompanying notes are an integral part of this schedule.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Upper Arlington City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - 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 C – FOOD DONATION PROGRAM

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

The District uses the services of DJ Co-ops to hold, process, and deliver its federal commodities at a nominal rate.



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*

Upper Arlington City School District
Franklin County
1950 North Mallway Drive
Upper Arlington, Ohio 43221

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2015, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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 communication is not suitable for any other purpose.

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

November 19, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Upper Arlington City School District
Franklin County
1950 North Mallway Drive
Upper Arlington, Ohio 43221

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Upper Arlington City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Upper Arlington City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Upper Arlington City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 19, 2015

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Special Education Cluster</u> Special Education Grants to States CFDA #84.027 Special Education Preschool Grant CFDA #84.173 <u>Title I Grants to Local Educational Agencies</u> CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

UPPER ARLINGTON 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
DECEMBER 10, 2015