



OHIO AUDITOR OF STATE
KEITH FABER



**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2024**

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2024

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Upper Arlington City School District
Franklin County
1619 Zollinger Road
Upper Arlington, Ohio 43221

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required budgetary comparison schedule, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber
Auditor of State
Columbus, Ohio

November 20, 2024

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

The management's discussion and analysis of the Upper Arlington City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

In total, net position of governmental activities increased \$21,241,957 which represents a 32.57% increase from 2023's net position.

The District has two major funds: the general fund and debt service fund. The general fund had \$130,854,918 in revenues and other financing sources and \$116,628,303 in expenditures and other financing uses. The general fund's fund balance increased \$14,226,615 from \$93,121,845 to \$107,348,460.

The debt service fund had \$16,665,759 in revenues and \$14,593,490 in expenditures. The fund balance of the debt service fund increased \$2,072,269 from \$13,693,356 to \$15,765,625.

Enrollment continues to grow and totaled approximately 6,420 students in 2023-24, which is a 12 % increase in enrollment over the last 10 years. Enrollment projections indicate up to a 4.7% increase in enrollment in the next 10 years. The enrollment increase is related to housing turnover thus impacting the demographics of the District.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the debt service fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2024?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

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 all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability, net OPEB liability, and budget versus actual statement for the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2024 and June 30, 2023.

	Net Position	
	Governmental Activities 2024	Governmental Activities 2023
<u>Assets</u>		
Current and other assets	\$ 236,981,415	\$ 219,399,566
Net OPEB asset	8,032,537	10,927,606
Capital assets, net	<u>265,604,080</u>	<u>266,253,574</u>
Total assets	<u>510,618,032</u>	<u>496,580,746</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charge on debt refunding	5,298,436	5,768,797
Pension	23,609,129	29,043,791
OPEB	<u>4,441,391</u>	<u>2,751,493</u>
Total deferred outflows of resources	<u>33,348,956</u>	<u>37,564,081</u>
<u>Liabilities</u>		
Current liabilities	14,310,836	14,507,135
Long-term liabilities:		
Due within one year	11,884,367	8,780,044
Due in more than one year:		
Net pension liability	108,515,767	112,508,895
Net OPEB liability	6,002,775	4,964,870
Other amounts	<u>220,693,337</u>	<u>227,304,127</u>
Total liabilities	<u>361,407,082</u>	<u>368,065,071</u>
<u>Deferred Inflows of Resources</u>		
Property taxes and PILOTs levied for next year	75,012,257	74,262,463
Leases	871,631	927,514
Pension	8,605,767	10,664,167
OPEB	<u>11,610,247</u>	<u>15,007,565</u>
Total deferred inflows of resources	<u>96,099,902</u>	<u>100,861,709</u>
<u>Net Position</u>		
Net investment in capital assets	58,789,700	54,393,341
Restricted	32,197,184	26,940,652
Unrestricted (deficit)	<u>(4,526,880)</u>	<u>(16,115,946)</u>
Total net position	<u>\$ 86,460,004</u>	<u>\$ 65,218,047</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2024, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$86,460,004.

Current and other assets of the District increased \$17,581,849 primarily due to an increase in equity in pooled cash and investments of \$12,994,985. This increase relates to the passage of a new 6.9 mil continuing operating levy to fund the day-to-day operations of the District. This levy was approved by the voters on November 8, 2022, and is anticipated to generate approximately \$16.1 million annually (calendar year basis). During fiscal year 2024, the District had a full year of collection on this operating levy.

At year-end, capital assets represented 52.02% of total assets. Capital assets include land, construction in progress, intangible right-to-use leased equipment and computer software, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2024, was \$58,789,700. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The net investment in capital assets increased from June 30, 2023 to June 30, 2024 due primarily to the District's repayment of capital related liabilities and debt in fiscal 2024.

Current liabilities remained comparable to the prior year. The District substantially completed the first phase of the Master Plan construction project in 2023.

Long-term liabilities decreased in large part to (1) a decrease in the net pension liability, and (2) principal payments exceeding new debt issuances. The net pension liability decreased \$3,993,128 or 3.55%. The net OPEB liability increased \$1,037,905.

Deferred inflows of resources related to pension and OPEB decreased \$5,455,718. These changes were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). The decrease is primarily due to changes in assumptions applied by the retirement systems in determining the net pension and net OPEB liabilities.

As mentioned earlier, the pension and OPEB liabilities will fluctuate annually due to a number of factors including investment returns, actuarial assumptions used, and the District's proportionate share of net pension and net OPEB costs. As a result, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

	Governmental Activities <u>2024</u>	Governmental Activities <u>2023</u>
Total net position (with GASB 68 and GASB 75)	\$ 86,460,004	\$ 65,218,047
GASB 68 calculations:		
Add: Deferred inflows related to pension	8,605,767	10,664,167
Add: Net pension liability	108,515,767	112,508,895
Less: Deferred outflows related to pension	(23,609,129)	(29,043,791)
GASB 75 calculations:		
Add: Deferred inflows related to OPEB	11,610,247	15,007,565
Add: Net OPEB liability	6,002,775	4,964,870
Less: Net OPEB asset	(8,032,537)	(10,927,606)
Less: Deferred outflows related to OPEB	<u>(4,441,391)</u>	<u>(2,751,493)</u>
Total net position (without GASB 68 and GASB 75)	<u>\$ 185,111,503</u>	<u>\$ 165,640,654</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

A portion of the District's net position, \$32,197,184, represents resources that are subject to external restriction on how they may be used. Restricted net position increased \$5,256,532 as the District reported the entire net OPEB asset as restricted net position at June 30, 2024. In the prior year, the restricted net position was reported net of OPEB deferred inflows and deferred outflows related to OPEB.

The remaining balance of unrestricted net position is a deficit of \$4,526,880. Unrestricted net position improved due to unrestricted cash and cash equivalents generated by a full year collection of the new 6.9 mil continuing operating levy and a decrease in pension expense of \$2,980,945 from fiscal year 2023 to 2024.

The table below shows the change in net position for fiscal years 2024 and 2023.

<u>Revenues</u>	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2024</u>	<u>2023</u>
Program revenues:		
Charges for services and sales	\$ 8,185,710	\$ 7,977,798
Operating grants and contributions	8,181,823	7,773,549
Capital grants and contributions	150,395	810,000
General revenues:		
Property taxes	123,886,708	119,001,092
Payment in lieu of taxes	2,248,682	3,017,484
Grants and entitlements	14,755,323	13,231,672
Capital donations not restricted	40,333	484,191
Investment earnings	3,940,180	1,834,563
Increase (decrease) in fair value of investments	1,108,098	(304,781)
Other	<u>3,553,183</u>	<u>4,272,220</u>
Total revenues	<u>166,050,435</u>	<u>158,097,788</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Expenses

Program expenses:

Instruction:		
Regular	\$ 61,113,786	\$ 58,771,711
Special	19,836,179	19,557,839
Vocational	372,124	237,190
Support services:		
Pupil	9,330,404	9,256,659
Instructional staff	5,770,529	5,750,813
Board of education	69,091	96,226
School administration	7,538,493	7,400,192
Fiscal	2,885,189	2,899,040
Business	728,910	663,554
Operations and maintenance	8,566,629	8,573,705
Pupil transportation	2,350,622	2,112,636
Central	7,002,804	5,220,602
Operation of non-instructional services:		
Food service operations	3,113,771	2,868,213
Community services	4,239,553	3,623,142
Extracurricular activities	4,080,892	3,987,270
Interest and fiscal charges	<u>7,809,502</u>	<u>8,026,943</u>
Total expenses	<u>144,808,478</u>	<u>139,045,735</u>
Change in net position	21,241,957	19,052,053
Net position at beginning of year	<u>65,218,047</u>	<u>46,165,994</u>
Net position at end of year	<u>\$ 86,460,004</u>	<u>\$ 65,218,047</u>

Governmental Activities

Net position of the District's governmental activities increased \$21,241,957. Total governmental expenses of \$144,808,478 were offset by program revenues of \$16,517,928 and general revenues of \$149,532,507. Program revenues supported 11.41% of the total governmental expenses.

Charges for services program revenues remained comparable to the prior year. Operating grants and contributions increased primarily due to foundation funding supporting special education programs. Capital grants and contributions program revenues decreased due to the receipt of public safety grants from the federal government in fiscal year 2023.

The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes, and unrestricted grants and entitlements from the State. These revenue sources account for 84.80% of total governmental revenue. The most significant increase was in property tax revenue due to the passage of a new 6.9 mil continuing operating levy to fund the day-to-day operations of the District. On November 8, 2022, the residents of Upper Arlington approved this new levy which is projected to increase tax collections by approximately \$16.1 million annually (calendar year basis).

Grants and entitlements not restricted increased \$1,523,651 from the prior year primarily due to improved foundation funding from the State of Ohio. Capital donations not restricted relate to the District's Legacy Campaign. Donations are recognized in the year they are contributed. The Legacy Campaign supports the District's various construction projects.

Earnings on investments increased as the District had more money invested in fiscal 2024 compared to 2023 and due to improved interest rates on those applicable investments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

GAAP requires certain investments to be reported at fair value rather than cost. Fluctuations in the fair value of investments are reported as an increase in fair value of investments. The fair value of investments fluctuate as interest rates rise or fall over time. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Other general revenues decreased due to the receipt of a \$632,703 property tax refund received in fiscal year 2023.

Overall, expenses of the governmental activities increased \$5,762,473, or 4.14%, due primarily to programs associated with enrollment growth and normal and customary increases in salaries and benefits costs. Central-support expenses, where the District accounts for medical self-insurance program, increased as the District experienced an increase in medical claims activity.

The application of GASB 68 and GASB 75 requires the reader to perform additional calculations to determine the District's total change in net position at June 30, 2024 and June 30, 2023 without the application of GASB 68 and GASB 75. This is an important exercise, as the State Pension Systems (STRS & SERS) collect, hold and distributes pensions to our employees, not the District.

	Governmental Activities <u>2024</u>	Governmental Activities <u>2023</u>
Total change in net position (with GASB 68 and GASB 75)	\$ 21,241,957	\$ 19,052,053
GASB 68 calculations:		
Add: Pension expense	9,821,567	9,817,140
Less: Current year contributions	(10,438,433)	(12,802,512)
GASB 75 calculations:		
Add: OPEB expense	(246,573)	(265,572)
Less: Current year contributions	<u>(907,669)</u>	<u>(2,173,160)</u>
Total change in net position (without GASB 68 and GASB 75)	<u>\$ 19,470,849</u>	<u>\$ 13,627,949</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As stated earlier, fluctuations in the pension and OPEB expense reported under GASB 68 and GASB 75 makes it difficult to compare financial information between years as pension expense and OPEB expense are components of program expenses reported on the statement of activities.

Governmental Activities

	Total Cost of Services <u>2024</u>	Net Cost of Services <u>2024</u>	Total Cost of Services <u>2023</u>	Net Cost of Services <u>2023</u>
Program expenses				
Instruction:				
Regular	\$ 61,113,786	\$ 59,184,760	\$ 58,771,711	\$ 57,196,905
Special	19,836,179	16,352,172	19,557,839	16,638,120
Vocational	372,124	230,129	237,190	230,087
Support services:				
Pupil	9,330,404	9,148,987	9,256,659	9,243,112
Instructional staff	5,770,529	5,213,125	5,750,813	5,352,378
Board of education	69,091	69,091	96,226	96,226
School administration	7,538,493	7,419,610	7,400,192	7,304,405
Fiscal	2,885,189	2,883,377	2,899,040	2,895,815
Business	728,910	728,773	663,554	657,735
Operations and maintenance	8,566,629	8,147,445	8,573,705	7,341,979
Pupil transportation	2,350,622	1,966,342	2,112,636	1,767,520
Central	7,002,804	6,985,523	5,220,602	5,196,156
Operations of non-instructional services:				
Food service operations	3,113,771	(188,540)	2,868,213	(164,672)
Community services	4,239,553	247,932	3,623,142	(779,391)
Extracurricular activities	4,080,892	2,092,322	3,987,270	1,481,070
Interest and fiscal charges	<u>7,809,502</u>	<u>7,809,502</u>	<u>8,026,943</u>	<u>8,026,943</u>
Total	<u>\$ 144,808,478</u>	<u>\$ 128,290,550</u>	<u>\$ 139,045,735</u>	<u>\$ 122,484,388</u>

The dependence upon tax and other general revenues for governmental activities is apparent as 93.17% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.59%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The District's Funds

The District's governmental funds reported a combined fund balance of \$142,529,230 which is higher than last year's total of \$125,930,225. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2024 and 2023.

	Fund Balance <u>June 30, 2024</u>	Fund Balance <u>June 30, 2023</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 107,348,460	\$ 93,121,845	\$ 14,226,615	15.28 %
Debt service	15,765,625	13,693,356	2,072,269	15.13 %
Other Governmental	<u>19,415,145</u>	<u>19,115,024</u>	<u>300,121</u>	1.57 %
Total	<u>\$ 142,529,230</u>	<u>\$ 125,930,225</u>	<u>\$ 16,599,005</u>	13.18 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

General Fund

During fiscal year 2024, the District's general fund balance increased \$14,226,615. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
<u>Revenues</u>				
Property taxes and payments in lieu of taxes	\$ 105,974,383	\$ 104,248,677	\$ 1,725,706	1.66 %
Earnings on investments	3,262,562	1,322,782	1,939,780	146.64 %
Increase (decrease) in fair value of investments	1,094,440	(299,077)	1,393,517	(465.94) %
Intergovernmental	15,998,024	13,454,261	2,543,763	18.91 %
Other revenues	<u>4,516,938</u>	<u>5,068,937</u>	<u>(551,999)</u>	<u>(10.89) %</u>
Total	<u>\$ 130,846,347</u>	<u>\$ 123,795,580</u>	<u>\$ 7,050,767</u>	<u>5.70 %</u>
<u>Expenditures</u>				
Instruction	\$ 71,053,789	\$ 67,665,207	\$ 3,388,582	5.01 %
Support services	43,105,178	39,411,601	3,693,577	9.37 %
Extracurricular activities	1,812,640	1,936,235	(123,595)	(6.38) %
Community services	58,420	74,357	(15,937)	(21.43) %
Facilities acquisition	-	3,947	(3,947)	100.00 %
Capital outlay	8,571	150,583	(142,012)	(94.31) %
Debt service	<u>503,655</u>	<u>509,188</u>	<u>(5,533)</u>	<u>(1.09) %</u>
Total	<u>\$ 116,542,253</u>	<u>\$ 109,751,118</u>	<u>\$ 6,791,135</u>	<u>6.19 %</u>

Overall, revenues of the general fund increased \$7,050,767 or 5.70%. The general fund reported an increase in property tax revenue due to the passage of the new 6.9 mil continuing operating levy which is explained on page 11. Earnings on investments increased as the District had more money invested in fiscal 2024 compared to 2023 and due to the improved interest rates on applicable investments. GAAP requires certain investments to be reported at fair value rather than cost. Fluctuations in the fair value of investments are reported as an increase (decrease) in fair value of investments. The fair value of investments fluctuate as interest rates rise or fall over time. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value. Intergovernmental revenues increased primarily due to increased enrollment and funding from the State of Ohio through Foundation payments. Other revenues decreased due to the receipt of a \$632,703 property tax refund received in fiscal year 2023.

Expenditures increased \$6,791,135 or 6.19%. Instructional services increased \$3,388,582 due to programs associated with enrollment growth and normal and customary increases in salaries and benefits costs. Support services increased \$3,693,577 primarily in the area of central support. Central support expenditures are where the District accounts for medical claims activity reported by the District's self-insurance program.

Debt Service Fund

The debt service fund had \$16,665,759 in revenues and \$14,593,490 in expenditures. The fund balance of the debt service fund increased \$2,072,269 from \$13,693,356 to \$15,765,625. Property tax collections continue to outpace debt service expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2024, the District amended its general fund estimated revenue budget. For the general fund, original revenues and other financing sources and final revenues and other financing sources were \$99,952,991 and \$122,432,687, respectively. Actual revenues and other financing sources of \$123,122,724 were \$690,037 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$111,745,102 were \$702,458 lower than final appropriations (appropriated expenditures plus other financing uses) of \$112,447,560. Original appropriations were \$107,192,186. Advances out to other funds and transfers out to other funds were \$1,886,050 and \$249,272, respectively, from the original to final budget. There were no other significant modifications made between the original and final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2024, the District had \$265,604,080 invested in land, construction in progress, intangible right-to-use assets, land improvements, buildings and improvements, furniture and equipment, and vehicles. The following table shows Capital Assets net of accumulated depreciation at June 30, 2024 compared to June 30, 2023.

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

	Governmental Activities	
	2024	2023
Land	\$ 629,783	\$ 629,783
Construction in progress	1,227,958	936,685
Intangible right-to-use:		
Computer software	355,172	299,625
Leased equipment	72,548	104,318
Land improvements	6,374,169	6,283,140
Buildings and improvements	244,345,843	249,234,667
Furniture and equipment	11,113,448	7,234,826
Vehicles	1,485,159	1,530,530
Total	\$ 265,604,080	\$ 266,253,574

The overall decrease of \$649,494 is primarily the result of depreciation expense of \$8,724,039 exceeding additions of \$8,006,295 and disposals of \$223,023 (net of accumulated depreciation). See Note 7 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2024, the District had \$201,620,464 in general obligation bonds, financed purchase notes payable, leases payable, and subscription-based information technology arrangements (SBITAs) payable. The general obligation bond issues are comprised of current interest bonds and capital appreciation bonds. Of this total, \$9,418,113 is due within one year and \$192,202,351 is due in more than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

The table below summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2024	Governmental Activities 2023
School improvement bonds - 2018A	\$ 75,575,000	\$ 80,080,000
School improvement bonds - 2018B	53,115,000	53,115,000
Refunding bonds - 2022A	58,901,682	59,519,900
Refunding bonds - 2022B	10,080,000	11,230,000
Financed purchase note payable	3,821,771	1,093,440
Leases payable	75,344	107,066
SBITAs payable	<u>51,667</u>	<u>137,217</u>
Total	<u>\$ 201,620,464</u>	<u>\$ 205,282,623</u>

See Note 9 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a cash reserve and continue a quality, comprehensive educational program even as District enrollment has increased.

On November 8, 2022, the community approved a continuing 6.9 mil operating levy that will generate approximately \$16.1 million annually (calendar year basis) which is included in the District's latest Five-Year Forecast passed in November 2023. This Forecast shows a positive cash balance after reserves through 2028. 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. Prior to November 2022, it had been five years since the last levy request in November 2017.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Andrew L. Geistfeld, Treasurer, Upper Arlington City School District, 1619 Zollinger Road, Upper Arlington, Ohio 43221.

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

STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 106,013,527
Receivables:	
Property taxes	126,161,128
Payment in lieu of taxes	1,623,093
Accounts	392,820
Accrued interest	498,446
Intergovernmental	1,003,891
Leases	916,640
Prepayments	220,651
Materials and supplies inventory	52,330
Inventory held for resale	98,889
Net OPEB asset	8,032,537
Capital assets:	
Nondepreciable/amortizable capital assets	1,857,741
Depreciable/amortizable capital assets, net	263,746,339
Capital assets, net	265,604,080
Total assets	510,618,032
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	5,298,436
Pension	23,609,129
OPEB	4,441,391
Total deferred outflows of resources	33,348,956
Liabilities:	
Accounts payable	1,388,092
Contracts payable	653,762
Retainage payable	68,141
Accrued wages and benefits payable	9,160,232
Intergovernmental payable	2,268,157
Accrued interest payable	772,452
Long-term liabilities:	
Due within one year	11,884,367
Due in more than one year:	
Net pension liability	108,515,767
Net OPEB liability	6,002,775
Other amounts due in more than one year	220,693,337
Total liabilities	361,407,082
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	73,886,877
Payment in lieu of taxes levied for the next fiscal year	1,125,380
Leases	871,631
Pension	8,605,767
OPEB	11,610,247
Total deferred inflows of resources	96,099,902
Net position:	
Net investment in capital assets	58,789,700
Restricted for:	
Capital projects	10,486,549
Debt service	6,850,214
OPEB	8,032,537
Food service operations	1,798,794
Extracurricular	1,435,067
Community activities	1,463,337
Locally funded programs	976,499
State funded programs	139,515
Federally funded programs	11,307
Other purposes	1,003,365
Unrestricted (deficit)	(4,526,880)
Total net position	\$ 86,460,004

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 61,113,786	\$ 361,817	\$ 1,543,010	\$ 24,199	\$ (59,184,760)
Special	19,836,179	58,069	3,425,938	-	(16,352,172)
Vocational	372,124	-	15,799	126,196	(230,129)
Support services:					
Pupil	9,330,404	11,069	170,348	-	(9,148,987)
Instructional staff	5,770,529	5,597	551,807	-	(5,213,125)
Board of education	69,091	-	-	-	(69,091)
Administration	7,538,493	-	118,883	-	(7,419,610)
Fiscal	2,885,189	-	1,812	-	(2,883,377)
Business	728,910	-	137	-	(728,773)
Operations and maintenance	8,566,629	380,088	39,096	-	(8,147,445)
Pupil transportation	2,350,622	-	384,280	-	(1,966,342)
Central	7,002,804	17,193	88	-	(6,985,523)
Operation of non-instructional services:					
Food service operations	3,113,771	2,519,487	782,824	-	188,540
Community services	4,239,553	3,277,393	714,228	-	(247,932)
Extracurricular activities	4,080,892	1,554,997	433,573	-	(2,092,322)
Interest and fiscal charges	7,809,502	-	-	-	(7,809,502)
Totals	\$ 144,808,478	\$ 8,185,710	\$ 8,181,823	\$ 150,395	(128,290,550)

General revenues:

Property taxes levied for:	
General purposes	104,322,423
Debt service	16,595,009
Capital outlay	2,969,276
Payments in lieu of taxes	2,248,682
Grants and entitlements not restricted to specific programs	14,755,323
Capital donations not restricted to specific programs	40,333
Investment earnings	3,940,180
Increase in fair value of investments	1,108,098
Miscellaneous	3,553,183
Total general revenues	149,532,507
Change in net position	21,241,957
Net position at beginning of year	65,218,047
Net position at end of year	\$ 86,460,004

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 77,858,561	\$ 9,075,606	\$ 19,079,360	\$ 106,013,527
Receivables:				
Property taxes	106,249,393	16,894,456	3,017,279	126,161,128
Payment in lieu of taxes	1,623,093	-	-	1,623,093
Accounts	77,886	-	314,934	392,820
Accrued interest	472,403	-	26,043	498,446
Interfund loans	452,315	-	-	452,315
Intergovernmental	37,786	-	966,105	1,003,891
Leases	-	-	916,640	916,640
Prepayments	220,651	-	-	220,651
Materials and supplies inventory	43,102	-	9,228	52,330
Inventory held for resale	-	-	98,889	98,889
Due from other funds	549	-	-	549
Total assets	<u>\$ 187,035,739</u>	<u>\$ 25,970,062</u>	<u>\$ 24,428,478</u>	<u>\$ 237,434,279</u>
Liabilities:				
Accounts payable	\$ 1,220,184	\$ -	\$ 167,908	\$ 1,388,092
Contracts payable	-	-	653,762	653,762
Retainage payable	-	-	68,141	68,141
Accrued wages and benefits payable	8,704,479	-	455,753	9,160,232
Compensated absences payable	1,673,024	-	-	1,673,024
Intergovernmental payable	2,097,010	-	171,147	2,268,157
Interfund loans payable	-	-	452,315	452,315
Due to other funds	-	-	549	549
Total liabilities	<u>13,694,697</u>	<u>-</u>	<u>1,969,575</u>	<u>15,664,272</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	62,225,473	9,894,320	1,767,084	73,886,877
Payment in lieu of taxes levied for the next fiscal year	1,125,380	-	-	1,125,380
Leases	-	-	871,631	871,631
Delinquent property tax revenue not available	1,950,328	310,117	55,386	2,315,831
Intergovernmental revenue not available	-	-	69,646	69,646
Accrued interest not available	193,688	-	6,581	200,269
Donation revenue not available	-	-	273,430	273,430
Payment in lieu of taxes not available	497,713	-	-	497,713
Total deferred inflows of resources	<u>65,992,582</u>	<u>10,204,437</u>	<u>3,043,758</u>	<u>79,240,777</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	43,102	-	9,228	52,330
Prepays	220,651	-	-	220,651
Unclaimed monies	8,366	-	-	8,366
Restricted:				
Debt service	-	15,765,625	-	15,765,625
Capital improvements	-	-	9,702,679	9,702,679
Food service operations	-	-	1,859,155	1,859,155
Locally funded programs	-	-	976,499	976,499
State funded programs	-	-	139,515	139,515
Federally funded programs	-	-	11,307	11,307
Extracurricular	-	-	1,441,793	1,441,793
Community activities	-	-	1,594,962	1,594,962
Other purposes	-	-	988,273	988,273
Committed:				
Capital improvements	-	-	2,761,380	2,761,380
Medical insurance	7,477,951	-	-	7,477,951
Workers' compensation	527,204	-	-	527,204
Other purposes	300,514	-	-	300,514
Assigned:				
Student instruction	274,491	-	-	274,491
Student and staff support	726,468	-	-	726,468
School supplies	56,755	-	-	56,755
Unassigned (deficit)	97,712,958	-	(69,646)	97,643,312
Total fund balances	<u>107,348,460</u>	<u>15,765,625</u>	<u>19,415,145</u>	<u>142,529,230</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 187,035,739</u>	<u>\$ 25,970,062</u>	<u>\$ 24,428,478</u>	<u>\$ 237,434,279</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2024

Total governmental fund balances		\$	142,529,230
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			265,604,080
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	2,315,831	
Payment in lieu of taxes receivable		497,713	
Accounts receivable		273,430	
Accrued interest receivable		200,269	
Intergovernmental receivable		69,646	
Total			3,356,889
Unamortized premiums on bonds issued are not recognized in the funds.			(18,223,525)
Unamortized amounts on refundings are not recognized in the funds.			5,298,436
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(772,452)
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		23,609,129	
Deferred inflows - Pension		(8,605,767)	
Net pension liability		(108,515,767)	
			(93,512,405)
The net OPEB liability/asset is not due and payable/receivable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - OPEB		4,441,391	
Deferred inflows - OPEB		(11,610,247)	
Net OPEB asset		8,032,537	
Net OPEB liability		(6,002,775)	
Total			(5,139,094)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(194,450,000)	
Capital appreciation bonds		(3,221,682)	
Accreted interest on capital appreciation bonds		(2,576,664)	
Financed purchase note payable		(3,821,771)	
Leases		(75,344)	
Subscription-based information technology arrangements (SBITAs)		(51,667)	
Compensated absences		(8,484,027)	
Total			(212,681,155)
Net position of governmental activities		\$	86,460,004

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 104,223,414	\$ 16,562,541	\$ 2,967,938	\$ 123,753,893
Intergovernmental	15,998,024	103,218	6,395,060	22,496,302
Investment earnings	3,262,562	-	709,446	3,972,008
Tuition and fees	411,195	-	3,158,019	3,569,214
Extracurricular	229,711	-	1,349,690	1,579,401
Rental income	380,088	-	-	380,088
Charges for services	-	-	2,519,487	2,519,487
Contributions and donations	-	-	948,312	948,312
Payment in lieu of taxes	1,750,969	-	-	1,750,969
Miscellaneous	3,495,944	-	721,203	4,217,147
Increase in fair value of investments	1,094,440	-	13,658	1,108,098
Total revenues	<u>130,846,347</u>	<u>16,665,759</u>	<u>18,782,813</u>	<u>166,294,919</u>
Expenditures:				
Current:				
Instruction:				
Regular	53,168,923	-	2,449,750	55,618,673
Special	17,638,938	-	2,257,766	19,896,704
Vocational	245,928	-	126,196	372,124
Support services:				
Pupil	9,381,346	-	11,420	9,392,766
Instructional staff	5,360,728	-	518,566	5,879,294
Board of education	69,375	-	-	69,375
Administration	7,333,130	-	118,873	7,452,003
Fiscal	2,677,446	187,288	39,337	2,904,071
Business	697,615	-	180	697,795
Operations and maintenance	8,394,182	-	860,514	9,254,696
Pupil transportation	2,183,591	-	22,569	2,206,160
Central	7,007,765	-	17,967	7,025,732
Operation of non-instructional services:				
Food service operations	-	-	2,935,465	2,935,465
Community services	58,420	-	4,263,138	4,321,558
Extracurricular activities	1,812,640	-	1,636,474	3,449,114
Facilities acquisition and construction	-	-	2,280,677	2,280,677
Capital outlay	8,571	-	4,119,400	4,127,971
Debt service:				
Principal retirement	487,062	6,273,218	1,029,850	7,790,130
Interest and fiscal charges	16,593	7,776,202	-	7,792,795
Accretion on capital appreciation bonds	-	356,782	-	356,782
Total expenditures	<u>116,542,253</u>	<u>14,593,490</u>	<u>22,688,142</u>	<u>153,823,885</u>
Excess of revenues over (under) expenditures	<u>14,304,094</u>	<u>2,072,269</u>	<u>(3,905,329)</u>	<u>12,471,034</u>
Other financing sources (uses):				
Inception of lease	8,571	-	-	8,571
Issuance of financed purchase note payable	-	-	4,119,400	4,119,400
Transfers in	-	-	4,921,302	4,921,302
Transfers (out)	(86,050)	-	(4,835,252)	(4,921,302)
Total other financing sources (uses)	<u>(77,479)</u>	<u>-</u>	<u>4,205,450</u>	<u>4,127,971</u>
Net change in fund balances	14,226,615	2,072,269	300,121	16,599,005
Fund balances at beginning of year	<u>93,121,845</u>	<u>13,693,356</u>	<u>19,115,024</u>	<u>125,930,225</u>
Fund balances at end of year	<u>\$ 107,348,460</u>	<u>\$ 15,765,625</u>	<u>\$ 19,415,145</u>	<u>\$ 142,529,230</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2024

Net change in fund balances - total governmental funds	\$	16,599,005
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 8,297,568	
Current year depreciation/amortization	<u>(8,724,039)</u>	
Total		(426,471)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(223,023)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	132,815	
Payment in lieu of taxes	497,713	
Earnings on investments	57,658	
Donations	(613,104)	
Intergovernmental	<u>(343,765)</u>	
Total		(268,683)
The inception of leases and the issuance of financed purchase notes payable are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		
		(4,127,971)
Repayment of bonds, financed purchase notes payable, leases, and SBITAs are an expenditure in the funds, but the repayment reduces long-term liabilities on the statement of net position.		
		8,146,912
In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	14,987	
Amortization of bond premiums	1,887,755	
Accreted interest on capital appreciation bonds	(1,449,088)	
Amortization of deferred charges on debt refundings	<u>(470,361)</u>	
Total		(16,707)
Contractually required pension contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		10,438,433
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(9,821,567)
Contractually required OPEB contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		246,573
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		907,669
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
		<u>(212,213)</u>
Change in net position of governmental activities	\$	<u>21,241,957</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 1 - DESCRIPTION OF THE DISTRICT

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 9 schools and other buildings and departments that employ approximately 980 employees. Our student population is approximately 6,420 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions, which is a computer consortium. META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2024, the District paid META Solutions \$105,844 for services. Financial information can be obtained from the Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

JOINT VENTURE WITHOUT EQUITY INTEREST

The Rockbridge Academy (the “Academy”)

The Academy is a joint venture consisting of a consortium of five school districts. The Academy was formed for the purpose of providing alternative education services to at risk students. The initial capital of the Academy was raised through the receipt of a per pupil charge dependent upon the services utilized.

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the Academy; 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 District paid \$76,500 to Rockbridge Academy during fiscal year 2024. Further detailed financial information may be obtained by contacting the Academy’s fiscal agent, the Educational Service Center of Central Ohio, at (614) 445-3750.

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.

In 2003, the City and 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 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.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District’s major governmental funds:

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

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

Other governmental funds of the District are used to account for:

Nonmajor special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Nonmajor capital projects funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

C. 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 financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental and those that are considered business-type. However, the District has only governmental activities; therefore, no business-type activities are presented.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are 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.

Fund Financial Statements - During the 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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.

E. Basis of Accounting

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

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

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. On an accrual basis, revenue from property taxes and PILOTs are recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the 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 deemed both measurable and available: property taxes, payments in lieu of taxes, tuition, grants, and student fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 and 15 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes (PILOTs) and unavailable revenue. Property taxes and PILOTs taxes represent amounts for which there is an enforceable legal claim as of June 30, 2024, but which were levied to finance fiscal year 2025 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The deferred inflow of resources for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease.

For the District, see Note 14 and 15 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenditures/Expenses - On the accrual basis of accounting, expenses are recorded at the time they are incurred.

The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for principal and interest on general long-term debt, which is recorded when due.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2024, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, commercial paper, negotiable certificates of deposit (negotiable CDs), U.S. Treasury notes/bonds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio and money market funds, the District measures investments at fair value which is based on quoted market prices. Money market funds are measured at cost as provided by the Columbus Foundation.

The District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding \$100 million is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2024 amounted to \$3,262,562 which includes \$540,476 assigned from other District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the cash management pool are reported as investments.

An analysis of the District’s investment account at fiscal year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets and Depreciation/Amortization

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District follows the policy of not capitalizing assets with an individual cost of less than \$5,000 and a useful life of less than one year, unless the assets are a group purchase that collectively is considered significant by the District. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

Description	Governmental Activities <u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	15 - 50 Years
Furniture and Equipment	3 - 20 Years
Intangible Right to Use:	
Leased Equipment	3 - 5 Years
Computer Software	2 - 3 Years
Vehicles	8 - 15 Years

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

The District is reporting intangible right-to-use assets related to leased equipment and computer software. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

I. Interfund Activity

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Receivables and payables related to unpaid amounts for interfund services provided and used are classified as "due from/due to other funds". Interfund balances are summarized in Note 11. These amounts are eliminated in the governmental activities column of the statement of net position.

K. Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick and vacation leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 10 or more years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

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

For governmental fund financial statements, the amount of accumulated 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 balance of the liability is not recorded.

L. Accrued Liabilities and Long-term Obligations

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, are reported as obligations of the funds. However, compensated absences are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes, financed purchase notes payable, and leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports \$32,197,184 of restricted net position, of which none is restricted by enabling legislation.

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 Balance

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

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

O. Non-Public Schools

Within the District boundaries there are nonpublic schools. Current State legislation provides for funding to these nonpublic schools. These monies are received and disbursed by the District on behalf of the nonpublic schools by the Treasurer of the District, as directed by the nonpublic schools. These transactions are reported in a nonmajor governmental fund and as a governmental activity of the District.

P. Budgetary Data

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year end are reported as assigned in the general fund only, since they do not constitute expenditures or liabilities.

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 re-appropriated.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

R. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

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

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

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

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. 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. Nether type of transaction occurred during fiscal year 2024.

U. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

V. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

W. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. Fund balance has been presented as nonspendable equal to the balance of the prepayment at fiscal year-end.

X. Budget Stabilization Reserve

The Board of Education has a policy whereby the general fund must maintain a cash balance reserve equivalent to 120 days of expenditures after July 1, 2023. Promptly upon receiving any indication that such a cash balance may not be achieved within the first four (4) years of the rolling five- year financial forecast period, the Treasurer shall report such a finding to the Board, along with proposed options that the Board may consider. The District's cash balance reserve is included in the general fund's unassigned fund balance.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2024, the District has implemented certain paragraphs from GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*", GASB Statement No. 100, "*Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*" and Implementation Guide No. 2023-1.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on balances previously report by the District.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2024 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Elementary and Secondary School	
Emergency Relief (ESSER)	\$ 11,237
IDEA Part B	26,175
Title I	<u>32,234</u>
Total	<u>\$ 69,646</u>

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim 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 or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At June 30, 2024, the District had \$360 in undeposited cash on hand which is included on the financial statements as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2024, the carrying amount of all District deposits was \$2,564,997 and the bank balance of all District deposits was \$2,889,819. Of the bank balance, \$250,000 was covered by the FDIC, \$1,557,993 was covered by the Ohio Pooled Collateral System, and \$1,081,826 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. The OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2024, the District's financial institutions were approved for a reduced collateral rate of 60 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2024, the District had the following investment and maturity:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
FHLB	\$ 6,801,191	\$ 753,910	\$ -	\$ 852,237	\$ 1,992,851	\$ 3,202,193
FFCB	16,984,853	3,165,013	-	149,502	481,625	13,188,713
FHLMC	498,604	498,604	-	-	-	-
FNMA	2,329,579	904,911	-	1,424,668	-	-
Commercial Paper	2,941,742	2,941,742	-	-	-	-
Negotiable CD's	734,918	494,677	-	-	-	240,241
U.S. Treasury notes/bonds	37,003,006	4,691,797	4,419,296	4,412,148	4,266,348	19,213,417
<i>Cost:</i>						
Money Market	66,123	66,123	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	36,088,154	36,088,154	-	-	-	-
Total	\$ 103,448,170	\$ 49,604,931	\$ 4,419,296	\$ 6,838,555	\$ 6,740,824	\$ 35,844,564

The weighted average maturity of investments is 1.42 years.

The District's investments in federal agency securities (FHLB, FHLMC, FNMA, and FFCB), U.S. Treasury notes/bonds, commercial paper and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAm money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities and U.S. Treasury securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The negotiable CDs are not rated but are fully covered by the FDIC. The investments in commercial paper were rated A-1 and A-1+ by Standard & Poor’s and P-1 by Moody’s. The District’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, U.S. Treasury notes, U.S. Treasury bonds, and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2024:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FHLB	\$ 6,801,191	6.57
FFCB	16,984,853	16.42
FHLMC	498,604	0.48
FNMA	2,329,579	2.25
Commercial Paper	2,941,742	2.84
Negotiable CD's	734,918	0.71
U.S. Treasury notes/bonds	37,003,006	35.77
<i>Cost:</i>		
Money Market	66,123	0.06
<i>Amortized Cost:</i>		
STAR Ohio	<u>36,088,154</u>	<u>34.90</u>
Total	<u>\$ 103,448,170</u>	<u>100.00</u>

D. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2024:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,564,997
Investments	103,448,170
Cash on hand	<u>360</u>
Total	<u>\$ 106,013,527</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 106,013,527</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 5 - RECEIVABLES

- A. Receivables at June 30, 2024 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, intergovernmental grants, entitlements, and leases. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

	Governmental activities
Property taxes	\$ 126,161,128
Payments in lieu of taxes	1,623,093
Accounts	392,820
Accrued interest	498,446
Intergovernmental	1,003,891
Leases	916,640
Total	\$ 130,596,018

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year with the exception of leases receivable which are collected over the term of the lease agreements.

B. Leases Receivable

The District reports leases receivable of \$916,640 in the permanent improvement fund (a nonmajor governmental fund) for future payments under certain lease agreements in which the District is lessor. For fiscal year 2024, the District recognized lease revenue of \$55,883, which is reported in miscellaneous revenue, and interest revenue of \$27,170. The District is lessor of certain property in the following lease agreements:

<u>Purpose</u>	<u>Lease Commencement Date</u>	<u>Term (Years)</u>	<u>Lease End Date</u>	<u>Payment Method</u>
Cell tower land use	2019	30	2049	Monthly
Cell tower land use	2007	25	2032	Annual

The lease term includes the original negotiated term plus renewal options that are reasonably certain to be exercised. Lease payments are paid into the permanent improvement fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 5 – RECEIVABLES - (Continued)

The following is a schedule of future lease payments under the lease agreements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 43,307	\$ 26,457	\$ 69,764
2026	44,579	25,184	69,763
2027	45,889	23,874	69,763
2028	47,238	22,525	69,763
2029	53,690	21,137	74,827
2030 - 2034	254,241	81,067	335,308
2035 - 2039	126,802	53,198	180,000
2040 - 2044	146,563	33,437	180,000
2045 - 2049	154,331	10,670	165,001
Total	<u>\$ 916,640</u>	<u>\$ 297,549</u>	<u>\$ 1,214,189</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2024 represent the collection of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed values as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2024 represent the collection of calendar year 2023 taxes. Public utility real and personal property taxes received in calendar year 2024 became a lien on December 31, 2022, were levied after April 1, 2023, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from 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, 2024, are available to finance fiscal year 2024 operations. The amount available as an advance at June 30, 2024 and 2023 were:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Major governmental funds:		
General fund	\$42,073,592	\$39,114,871
Debt service fund	6,690,019	5,866,190
Nonmajor governmental funds:		
Permanent improvement fund	1,194,809	1,141,922

The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 6 - PROPERTY TAXES – (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2024 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2024 taxes were collected are:

	2023 Second Half Collections		2024 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,320,727,920	98.49	\$ 2,895,656,460	98.75
Public utility personal	<u>35,523,890</u>	<u>1.51</u>	<u>36,625,360</u>	<u>1.25</u>
Total	<u>\$ 2,356,251,810</u>	<u>100.00</u>	<u>\$ 2,932,281,820</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	<u>Balance 06/30/23</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/24</u>
Governmental activities:				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 629,783	\$ -	\$ -	\$ 629,783
Construction in progress	<u>936,685</u>	<u>1,603,576</u>	<u>(1,312,303)</u>	<u>1,227,958</u>
Total capital assets, not being depreciated/amortized	<u>1,566,468</u>	<u>1,603,576</u>	<u>(1,312,303)</u>	<u>1,857,741</u>
<i>Capital assets, being depreciated/amortized:</i>				
Intangible right-to use:				
Leased equipment	199,700	8,571	(33,911)	174,360
Computer software	390,144	237,271	(45,324)	582,091
Land improvements	8,326,235	798,029	(381,021)	8,743,243
Buildings and improvements	286,071,982	952,443	-	287,024,425
Furniture and equipment	11,268,404	5,844,217	(70,481)	17,042,140
Vehicles	<u>3,360,711</u>	<u>165,764</u>	<u>-</u>	<u>3,526,475</u>
Total capital assets, being depreciated/amortized	<u>309,617,176</u>	<u>8,006,295</u>	<u>(530,737)</u>	<u>317,092,734</u>
<i>Less: accumulated depreciation/amortization:</i>				
Intangible right-to use:				
Leased equipment	(95,382)	(40,341)	33,911	(101,812)
Computer software	(90,519)	(181,724)	45,324	(226,919)
Land improvements	(2,043,095)	(514,801)	188,822	(2,369,074)
Buildings and improvements	(36,837,315)	(5,841,267)	-	(42,678,582)
Furniture and equipment	(4,033,578)	(1,934,771)	39,657	(5,928,692)
Vehicles	<u>(1,830,181)</u>	<u>(211,135)</u>	<u>-</u>	<u>(2,041,316)</u>
Total accumulated depreciation/amortization	<u>(44,930,070)</u>	<u>(8,724,039)</u>	<u>307,714</u>	<u>(53,346,395)</u>
Governmental activities capital assets, net	<u>\$ 266,253,574</u>	<u>\$ 885,832</u>	<u>\$ (1,535,326)</u>	<u>\$ 265,604,080</u>

Depreciation/amortization expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 7,255,578
Special	153,329
<u>Support services:</u>	
Instructional staff	15,987
School administration	160,869
Operations and maintenance	256,235
Pupil transportation	169,105
Operation of non-instructional:	
Food service operations	194,517
Community services	7,040
Extracurricular activities	<u>511,379</u>
Total depreciation/amortization expense	<u>\$ 8,724,039</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 8 - OTHER COMMITMENTS

A. Encumbrance Commitments

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 977,395
Nonmajor governmental	<u>1,777,508</u>
Total	<u>\$ 2,754,903</u>

B. Contractual Commitments

As a result of projects that were in progress at June 30, 2024, the District had the following outstanding contractual commitments at fiscal year-end:

	<u>Contract Amount</u>	<u>Expenditures incurred as of June 30, 2024</u>	<u>Amount Remaining on Contract</u>
Tremont Turf	\$ 544,000	\$ 487,484	\$ 56,516
Barrington Windows	650,000	404,787	245,213
HUB Renovations	842,000	228,945	613,055
Burbank Entrance	50,000	26,988	23,012
Barrington Playground	<u>175,000</u>	<u>79,754</u>	<u>95,246</u>
Total	<u>\$ 2,261,000</u>	<u>\$ 1,227,958</u>	<u>\$ 1,033,042</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during the year follows:

	Balance <u>06/30/23</u>	Increase	Decrease	Balance <u>06/30/24</u>	Amount Due in <u>One Year</u>
<u>Governmental activities:</u>					
<u>General obligation bonds:</u>					
Series 2018A improvement:					
Serial bonds	\$ 80,080,000	\$ -	\$ (4,505,000)	\$ 75,575,000	\$ 5,160,000
Premium	8,912,066	-	(458,990)	8,453,076	-
Series 2018B improvement:					
Term bonds	53,115,000	-	-	53,115,000	-
Series 2022A refunding					
Serial bonds	10,810,000	-	-	10,810,000	-
Term bonds	44,870,000	-	-	44,870,000	-
Capital appreciation bonds	3,839,900	-	(618,218)	3,221,682	476,131
Accreted interest on capital appreciation bonds	1,484,358	1,449,088	(356,782)	2,576,664	498,869
Premium	9,707,418	-	(1,153,357)	8,554,061	-
Series 2022B refunding					
Serial bonds	11,230,000	-	(1,150,000)	10,080,000	1,800,000
Premium	1,491,796	-	(275,408)	1,216,388	-
Total general obligation bonds	<u>225,540,538</u>	<u>1,449,088</u>	<u>(8,517,755)</u>	<u>218,471,871</u>	<u>7,935,000</u>
<u>Net pension liability:</u>					
STRS	93,816,483	-	(4,874,335)	88,942,148	-
SERS	18,692,412	881,207	-	19,573,619	-
Total net pension liability	<u>112,508,895</u>	<u>881,207</u>	<u>(4,874,335)</u>	<u>108,515,767</u>	<u>-</u>
<u>Net OPEB liability:</u>					
SERS	4,964,870	1,037,905	-	6,002,775	-
Total net OPEB liability	<u>4,964,870</u>	<u>1,037,905</u>	<u>-</u>	<u>6,002,775</u>	<u>-</u>
<u>Other long-term obligations:</u>					
Financed purchase notes payable	1,093,440	4,119,400	(1,391,069)	3,821,771	1,394,320
Leases payable	107,066	8,571	(40,293)	75,344	37,126
SBITAs payable	137,217	-	(85,550)	51,667	51,667
Compensated absences	9,205,910	2,753,540	(1,802,399)	10,157,051	2,466,254
Total other long-term obligations	<u>10,543,633</u>	<u>6,881,511</u>	<u>(3,319,311)</u>	<u>14,105,833</u>	<u>3,949,367</u>
Total governmental activities	<u>\$ 353,557,936</u>	<u>\$ 10,249,711</u>	<u>\$ (16,711,401)</u>	<u>\$ 347,096,246</u>	<u>\$ 11,884,367</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds

The general obligation bonds 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. All general obligation bonds will be paid from property taxes in the debt service fund.

Series 2018A Improvement Bonds

On February 27, 2018, the District issued \$164,060,000 in current interest serial and term general obligation School Facilities and Construction Bonds. The bond issuance was approved by voters at the election held on November 7, 2017. Proceeds from the bond issue are being used for the purpose of constructing, furnishing, and equipping a new high school, with related site improvements and appurtenances thereto; constructing, furnishing, and equipping new elementary schools, with related site improvements and appurtenances thereto; renovating, repairing, improving, furnishing, equipping, and constructing improvements and additions to existing school facilities, buildings, and infrastructure; and replacing existing equipment and constructing various permanent improvements and constructing and improving various athletic facilities, and retiring the Series 2017 Notes previously issued for the same purpose. The bonds were sold at a premium of \$19,337,434. The bond premium was deposited into the debt service fund to be used for future debt service payments. Principal payments on the bonds are due December 1 or each year while interest payments are due on June 1 and December 1 of each year.

During fiscal year 2022, \$18,230,000 of the Series 2018A current interest serial bonds and \$42,455,000 of the Series 2018A current interest term bonds were advance refunded through the issuance of the Series 2022A refunding bonds. After the refunding, the remaining current interest bonds bear interest rates ranging from 4.00 percent to 5.00 percent and are scheduled to mature on December 1, 2042. In addition to the refunded bonds, \$7,241,318 of unamortized premiums related to the Series 2018A bonds has been removed from the financial statements due to the advance refunding.

Series 2018B Improvement Bonds

On February 27, 2018, the District issued \$65,940,000, in current interest term general obligation School Facilities and Construction Bonds. The bond issuance was approved by voters at the election held on November 7, 2017. Proceeds from the bond issue are being used for the purpose of constructing, furnishing, and equipping a new high school, with related site improvements and appurtenances thereto; constructing, furnishing, and equipping new elementary schools, with related site improvements and appurtenances thereto; renovating, repairing, improving, furnishing, equipping, and constructing improvements and additions to existing school facilities, buildings, and infrastructure; and replacing existing equipment and constructing various permanent improvements and constructing and improving various athletic facilities. Principal payments on the bonds are due December 1 of each year while interest payments are due on June 1 and December 1 of each year.

During fiscal year 2022, \$12,825,000 of the term bonds were advance refunded through the issuance of the series 2022B refunding bonds. After the refunding, the remaining Series 2018B term bonds bore an interest rate of 4.074 percent and mature on December 1, 2054.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Mandatory Sinking Fund Redemption - The Series 2018B term bonds maturing on December 1, 2054 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2049	\$ 8,335,000
2050	8,675,000
2051	9,025,000
2052	9,390,000
2053	9,770,000
2054	7,920,000

Series 2022A Refunding Bonds

On March 3, 2022, the District issued \$60,684,884, in Series 2022A general obligation refunding bonds to advance refund \$60,685,000 of the outstanding Series 2018A improvement serial and term bonds. The Series 2022A refunding bonds consist of \$10,810,000 in current interest serial bonds, \$44,870,000 in current interest term bonds, and \$5,004,884 in capital appreciation bonds. The Series 2022A current interest bonds bear interest rates ranging from 2.325 percent to 3.277 percent and mature December 1, 2048.

On December 1, 2022, one of the capital appreciation bonds with an original principal amount of \$1,164,984 matured at an accreted value of \$1,415,000. The remaining capital appreciation bonds mature each year December 1 in years 2023 through 2031 in an aggregate accreted value at maturity of \$17,230,000. At June 30, 2024, a total of \$2,576,664 in accreted interest has been recorded on the capital appreciation bonds.

The Series 2022A bonds were sold at a premium of \$11,245,227. The bond premium was deposited into the debt service fund to be used for the refunded bond escrow deposit. The current interest bonds include serial maturities every year beginning December 1, 2032 through December 1, 2037 and term bonds with maturities on December 1 in years 2042, 2044, and 2048. Proceeds of \$71,463,247 (including bond premium less underwriting fees and other issuance costs) and a District equity contribution of \$771,175 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded portion of the 2018A improvement bonds. As a result, \$60,685,000 of these bonds were considered defeased and the liability for the refunded portion of these bonds has been removed from the basic financial statements. As of June 30, 2024, the outstanding amount of the Series 2018A refunded bonds was \$60,685,000.

The reacquisition price exceeded the net carrying amount (including \$7,241,318 of unamortized premiums on the Series 2018A bonds refunded) of the old debt by \$4,308,105. This amount is being amortized over the remaining life of the refunding debt which is equal to the life of the refunded debt. The unamortized portion at June 30, 2024 is reported as a deferred inflow of resources on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Mandatory Sinking Fund Redemption - The Series 2022A term bonds maturing on December 1, 2042 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2038	\$ 330,000
2039	340,000
2040	355,000
2041	365,000

The remaining principal amount of the Series 2022A term bonds (\$375,000) will mature on December 1, 2042.

The Series 2022A term bonds maturing on December 1, 2044 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2043	\$ 6,625,000

The remaining principal amount of the Series 2022A term bonds (\$6,840,000) will mature on December 1, 2044.

The Series 2022A term bonds maturing on December 1, 2048 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2045	\$ 7,055,000
2046	7,285,000
2047	7,530,000

The remaining principal amount of the Series 2022A term bonds (\$7,770,000) will mature on December 1, 2048.

Optional Redemption - The Series 2022A current interest bonds maturing after December 1, 2031 are subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the District shall determine, on any date on or after December 1, 2031, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Series 2022B Refunding Bonds

On March 3, 2022, the District issued \$12,825,000, in Series 2022B current interest serial general obligation refunding bonds to advance refund \$12,825,000 of the outstanding Series 2018B improvement term bonds. The Series 2022B bonds bear an interest rate of 5.0 percent and mature December 1, 2028. The bonds were sold at a premium of \$1,859,007. The bond premium was deposited into the debt service fund to be used for the refunded bond escrow deposit. Principal payments on the Series 2022B bonds are due December 1 or each year while interest payments are due on June 1 and December 1 of each year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Proceeds of \$14,592,272 (including bond premium less underwriting fees and other issuance costs) and a District equity contribution of \$320,568 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded portion of the 2018B improvement bonds. As a result, \$12,825,000 of these bonds were considered defeased and the liability for the refunded portion of these bonds has been removed from the basic financial statements. As of June 30, 2024, the outstanding amount of the Series 2018B refunded bonds was \$12,825,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,087,840. This amount is being amortized over the remaining life of the refunding debt which is less than the life of the refunded debt. The unamortized portion at June 30, 2024 is reported as a deferred inflow of resources on the statement of net position.

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2024, follows:

Fiscal Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 6,960,000	\$ 7,460,827	\$ 476,131	\$ 498,869	\$ 7,436,131	\$ 7,959,696
2026	7,240,000	7,105,827	366,688	608,312	7,606,688	7,714,139
2027	7,570,000	6,735,577	282,409	692,591	7,852,409	7,428,168
2028	8,105,000	6,343,702	217,503	757,497	8,322,503	7,101,199
2029	2,270,000	6,084,327	1,240,396	5,979,604	3,510,396	12,063,931
2030 - 2034	16,605,000	28,928,275	638,555	4,496,445	17,243,555	33,424,720
2035 - 2039	25,390,000	25,102,342	-	-	25,390,000	25,102,342
2040 - 2044	30,715,000	19,657,082	-	-	30,715,000	19,657,082
2045 - 2049	36,480,000	13,881,246	-	-	36,480,000	13,881,246
2050 - 2054	45,195,000	6,362,471	-	-	45,195,000	6,362,471
2055 - 2057	7,920,000	161,330	-	-	7,920,000	161,330
Total	<u>\$ 194,450,000</u>	<u>\$ 127,823,006</u>	<u>\$ 3,221,682</u>	<u>\$ 13,033,318</u>	<u>\$ 197,671,682</u>	<u>\$ 140,856,324</u>

Net Pension Liability

See Note 14 for information on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/Asset

See Note 15 for information on the District's net OPEB liability/asset. The District pays obligations related to employee compensation from the fund benefitting from their service.

Financed Purchase Note Payable

On September 7, 2015, the District entered into a master agreement for the financed purchase of computer hardware. As part of this master agreement, on April 24, 2022, the District entered into a separate agreement for the acquisition of \$1,462,051 of computer hardware and, on December 12, 2023, the District entered into a separate agreement for the acquisition of \$4,119,400 of computer hardware.

Financed purchase payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances. These expenditures are reflected as program/function expenditures on a budgetary basis.

At June 30, 2024, assets acquired by the April 24, 2022 financed purchase agreement, in the amount of \$1,462,051, are included in capital assets as furniture, fixtures, and equipment. During fiscal year 2024, the District reported \$365,513 in depreciation expense and had \$731,026 in accumulated depreciation at June 30, 2024.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

At June 30, 2024, assets acquired by the December 12, 2023 financed purchase agreement, in the amount of \$4,119,400, are included in capital assets as furniture, fixtures, and equipment. During fiscal year 2024, the District reported \$686,567 in depreciation expense and had \$686,567 in accumulated depreciation at June 30, 2024.

At inception, a liability was recorded on the statement of net position for the present value of the future minimum financed purchase payments required under the agreements. Principal payments in the 2024 fiscal year totaled \$1,391,069. Of this total, \$361,219 is reported as debt service principal retirement in the general fund and \$1,029,850 is reported as debt service principal retirement in the permanent improvement fund (a nonmajor governmental fund). Principal payments are reclassified as a reduction to the long-term liabilities reported on the statement of net position.

The following is a schedule of future debt service payments under the financed purchase agreement:

Fiscal Year	Principal	Interest	Total
2025	\$ 1,394,320	\$ 6,590	\$ 1,400,910
2026	1,397,601	3,309	1,400,910
2027	1,029,850	-	1,029,850
Total	\$ 3,821,771	\$ 9,899	\$ 3,831,670

Leases Payable

The District has entered into lease agreements for the right-to-use certain leased equipment. The District reports an intangible capital asset and corresponding lease liability for the future scheduled payments under certain lease agreements in which the District is lessee. The District is lessee of certain equipment in the following lease agreements:

Purpose	Lease Commencement Date	Term (Years)	Lease End Date	Payment Method
Copier equipment	2021	5	2026	Monthly
Copier equipment	2023	3	2026	Monthly

Lease payments are paid from the general fund. The following is a schedule of future lease payments under the lease agreements:

Fiscal Year	Principal	Interest	Total
2025	\$ 37,126	\$ 1,694	\$ 38,820
2026	38,218	602	38,820
Total	\$ 75,344	\$ 2,296	\$ 77,640

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

SBITAs Payable

The District has entered into SBITAs for the right-to-use certain computer software. The District reports an intangible capital asset and corresponding SBITA liability for the future scheduled payments under the arrangements. The District has obtained the right to use computer software through the following SBITAs:

<u>Purpose</u>	<u>SBITA Commencement Date</u>	<u>Term (Years)</u>	<u>SBITA End Date</u>	<u>Payment Method</u>
Computer software	2022	3	2025	Annual
Computer software	2022	3	2025	Annual
Computer software	2022	2	2024	Annual
Computer software	2021	3	2024	Annual

SBITA payments are paid from the general fund. The following is a schedule of future payments under the SBITAs:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$ 51,667</u>	<u>\$ 1,518</u>	<u>\$ 53,185</u>

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid. Compensated absences will primarily be paid from the general fund.

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2024, are a voted debt margin of \$81,999,307 (including available funds of \$15,765,625) and an unvoted debt margin of \$2,932,282.

NOTE 10 - SET-ASIDES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 10 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2023	\$ -
Current year set-aside requirement	1,387,259
Current year offsets	<u>(1,387,259)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2025	<u>\$ -</u>
Set-aside balance June 30, 2024	<u>\$ -</u>

NOTE 11 - INTERFUND TRANSACTIONS

A. Due to/from balances consisted of the following at June 30, 2024, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 549</u>

The primary purpose of the interfund balances is to cover charges for interfund services performed and for workers' compensation costs. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund loans receivable/payable consisted of the following at June 30, 2024, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 452,315</u>

The primary purpose of the interfund 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. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

C. Interfund transfers for the fiscal year ended June 30, 2024, consisted of the following, as reported on the fund statements:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 86,050
Nonmajor governmental funds	Nonmajor governmental funds	<u>4,835,252</u>
		<u>\$ 4,921,302</u>

The transfer of \$4,835,252 from the nonmajor governmental funds to the nonmajor governmental funds consisted of a \$3,035,010 transfer from the building fund to the permanent improvement fund and a \$1,800,242 transfer from the permanent improvement fund to the capital projects fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 11 - INTERFUND TRANSACTIONS – (Continued)

Interfund transfers represent the use of unrestricted revenues collected in the general fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 12 - RISK MANAGEMENT

A. Property, Liability, and Fleet

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 2024, 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 \$320 million. Property and fleet insurance is provided by an independent insurance provider and property holds a \$10,000 deductible and the bus fleet and maintenance vehicles have a \$1,000 deductible and a \$1,000,000 limit per occurrence. A \$500,000 employee dishonesty blanket bond is also included for all employees.

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.

B. Workers' Compensation

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 2024 was 0.12% 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 \$375,000. A claims liability of \$132,886 was recorded at June 30, 2024. 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, 2024.

Changes in the balances of claims liabilities during the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments and Change in Estimates</u>	<u>Ending Balance</u>
2024	\$ 123,617	\$ 61,835	\$ (52,566)	\$ 132,886
2023	87,447	69,202	(33,032)	123,617
2022	206,074	50,759	(169,386)	87,447

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Employee Health Insurance

Effective January 1, 2014, all enrolled employees are covered under the District's self-funded 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 \$661,000 at June 30, 2024, 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, 2024.

The District purchases excess stop-loss insurance for medical claims exceeding \$200,000 per covered person. Effective January 1, 2017, the District joined the Central Ohio School Stop Loss Organization (COSSO) Regional Council of Governments consortium. COSSO was formed pursuant to Ohio Revised Code Section 167 and enables the District to take advantage of economies of scale to purchase excess reinsurance.

Members currently consist of the school districts of Dublin City, Upper Arlington City, Westerville City, Mansfield City, Delaware City, and Worthington City as well as the Midwest Employee Benefit Consortium. Future membership is open to any public entity in the state of Ohio upon approval by a majority of all current members of the Governing Board. Members may withdraw at any time after initial two year period provided it notifies each member in writing at least 90 days prior to the renewal of the insurance policy.

COSSO is managed by a Governing Board consisting of elected representatives from member districts. Additional information regarding COSSO can be obtained by contacting COSSO, 200 East Wilson Bridge Road, Worthington, OH 43085.

Changes in the balances of claims liabilities during the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2024	\$ 733,000	\$ 13,371,346	\$ (13,443,346)	\$ 661,000
2023	663,000	9,409,915	(9,339,915)	733,000
2022	500,000	10,138,025	(9,975,025)	663,000

D. Owner Controlled Insurance Program (OCIP)

On December 31, 2018, the District became self-insured in connection with a formalized OCIP risk management program in an effort to control workers' compensation claims and costs related to the District's construction project. The District paid into the self-insured fund, which is accounted for in the general fund. The District contracts with a third party (Hartford Insurance) to manage claims. The District has a \$250,000 self-insured retention for each claim and stop loss coverage for aggregate claims exceeding \$1.9 million. The self-insurance program ended in fiscal year 2024. There was no claims liability remaining at June 30, 2024.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 12 - RISK MANAGEMENT - (Continued)

Changes in the balances of claims liabilities during the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments and Change in Estimates</u>	<u>Ending Balance</u>
2024	\$ 16,458	\$ -	\$ (16,458)	\$ -
2023	31,837	8,125	(23,504)	16,458
2022	53,012	112,037	(133,212)	31,837

NOTE 13 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2024, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula 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. All adjustments have been finalized and are not material.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2023, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2024.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2024, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$2,036,224 for fiscal year 2024. Of this amount, \$43,935 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS, 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 website at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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. New members, on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2024 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2024, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$8,402,209 for fiscal year 2024. Of this amount, \$1,238,499 is reported as an intergovernmental payable.

Net 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, 2023, 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.345594000%	0.422024070%	
Proportion of the net pension liability current measurement date	<u>0.354240600%</u>	<u>0.413013260%</u>	
Change in proportionate share	<u>0.008646600%</u>	<u>-0.009010810%</u>	
Proportionate share of the net pension liability	\$ 19,573,618	\$ 88,942,149	\$ 108,515,767
Pension expense	\$ 2,251,000	\$ 7,570,567	\$ 9,821,567

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 841,318	\$ 3,242,646	\$ 4,083,964
Changes of assumptions	138,651	7,324,867	7,463,518
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	774,266	848,948	1,623,214
Contributions subsequent to the measurement date	<u>2,036,224</u>	<u>8,402,209</u>	<u>10,438,433</u>
Total deferred outflows of resources	<u>\$ 3,790,459</u>	<u>\$ 19,818,670</u>	<u>\$ 23,609,129</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 197,365	\$ 197,365
Net difference between projected and actual earnings on pension plan investments	275,124	266,561	541,685
Changes of assumptions	-	5,513,520	5,513,520
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>-</u>	<u>2,353,197</u>	<u>2,353,197</u>
Total deferred inflows of resources	<u>\$ 275,124</u>	<u>\$ 8,330,643</u>	<u>\$ 8,605,767</u>

\$10,438,433 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 fiscal year ending June 30, 2025.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:			
2025	\$ 717,369	\$ (966,004)	\$ (248,635)
2026	(609,939)	(3,430,361)	(4,040,300)
2027	1,357,097	8,396,773	9,753,870
2028	14,584	(914,590)	(900,006)
Total	\$ 1,479,111	\$ 3,085,818	\$ 4,564,929

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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2023 and June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.00%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.00% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.00%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2023, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. Ohio Revised Code Section 3309.15 and the Board-adopted Investment Policy govern investment activity at SERS. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	0.75 %
US Equity	24.75	4.82
Non-US Equity Developed	13.50	5.19
Non-US Equity Emerging	6.75	5.98
Fixed Income/Global Bonds	19.00	2.24
Private Equity	12.00	7.49
Real Estate/Real Assets	17.00	3.70
Private Debt/Private Credit	5.00	5.64
Total	<u>100.00 %</u>	

Discount Rate - Total pension liability was calculated using the discount rate of 7.00%. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 was 14%. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return, 7.00%. 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. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90%.

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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 28,889,660	\$ 19,573,618	\$ 11,726,627

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 and June 30, 2022, actuarial valuation are presented below:

	June 30, 2023	June 30, 2022
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 8.50%
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2023 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

* Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2023, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 136,773,339	\$ 88,942,149	\$ 48,490,050

Assumption and Benefit Changes Since the Prior Measurement Date - The discount rate remained at 7.00% for June 30, 2023 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 14 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2024, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. 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 2024, the District's surcharge obligation was \$246,573.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$246,573 for fiscal year 2024. Of this amount, \$246,573 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2023, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.353620600%	0.422024070%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.364368700%</u>	<u>0.413013260%</u>	
Change in proportionate share	<u>0.010748100%</u>	<u>-0.009010810%</u>	
Proportionate share of the net OPEB liability	\$ 6,002,775	\$ -	\$ 6,002,775
Proportionate share of the net OPEB asset	\$ -	\$ 8,032,537	\$ 8,032,537
OPEB expense	\$ (535,284)	\$ (372,385)	\$ (907,669)

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 12,508	\$ 12,522	\$ 25,030
Net difference between projected and actual earnings on OPEB plan investments	46,524	14,338	60,862
Changes of assumptions	2,029,714	1,183,310	3,213,024
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	791,774	104,128	895,902
Contributions subsequent to the measurement date	<u>246,573</u>	<u>-</u>	<u>246,573</u>
Total deferred outflows of resources	<u>\$ 3,127,093</u>	<u>\$ 1,314,298</u>	<u>\$ 4,441,391</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 3,095,851	\$ 1,225,174	\$ 4,321,025
Changes of assumptions	1,704,849	5,299,753	7,004,602
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>284,620</u>	<u>-</u>	<u>284,620</u>
Total deferred inflows of resources	<u>\$ 5,085,320</u>	<u>\$ 6,524,927</u>	<u>\$ 11,610,247</u>

\$246,573 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2025.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2025	\$ (838,085)	\$ (2,291,380)	\$ (3,129,465)
2026	(770,795)	(1,066,741)	(1,837,536)
2027	(463,711)	(405,585)	(869,296)
2028	(235,252)	(554,697)	(789,949)
2029	(102,409)	(508,242)	(610,651)
Thereafter	<u>205,452</u>	<u>(383,984)</u>	<u>(178,532)</u>
Total	<u>\$ (2,204,800)</u>	<u>\$ (5,210,629)</u>	<u>\$ (7,415,429)</u>

Actuarial Assumptions - SERS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023 and June 30, 2022 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	3.86%
Prior measurement date	3.69%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	4.27%
Prior measurement date	4.08%
Medical trend assumption:	
Current measurement date	6.75 to 4.40%
Prior measurement date	7.00 to 4.40%

In 2023, the following mortality assumptions were used:

Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.

Disabled Retirees - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.

Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.

Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table.

Mortality Projection - Mortality rates are projected using a fully generational projection with Scale MP-2020.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return is reviewed as part of the regular experience studies prepared every five years for SERS. The most recent five-year experience study was performed for the period covering fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

The target asset allocation and best estimates of arithmetic 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>
Cash	2.00 %	0.75 %
US Equity	24.75	4.82
Non-US Equity Developed	13.50	5.19
Non-US Equity Emerging	6.75	5.98
Fixed Income/Global Bonds	19.00	2.24
Private Equity	12.00	7.49
Real Estate/Real Assets	17.00	3.70
Private Debt/Private Credit	5.00	5.64
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27%. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022 and the June 30, 2023 total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86% at June 30, 2023 and 3.69% at June 30, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 7,673,263	\$ 6,002,775	\$ 4,685,526

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 4,410,031	\$ 6,002,775	\$ 8,113,376

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 actuarial valuation, compared with June 30, 2022 actuarial valuation, are presented below:

	June 30, 2023		June 30, 2022	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		Varies by service from 2.50% to 8.50%	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	4.14%	7.50%	3.94%
Medicare	-10.94%	4.14%	-68.78%	3.94%
Prescription Drug				
Pre-Medicare	-11.95%	4.14%	9.00%	3.94%
Medicare	1.33%	4.14%	-5.47%	3.94%

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

For the June 30, 2023 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2023 valuation.

Benefit Term Changes Since the Prior Measurement Date - Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

* Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 6,798,491	\$ 8,032,537	\$ 9,107,260
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 9,157,132	\$ 8,032,537	\$ 6,677,982

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - over (under) Actual Amounts</u>
	<u>Original</u>	<u>Final</u>		
Budgetary revenues and other financing sources	\$ 120,806,954	\$ 122,432,687	\$ 123,122,724	\$ 690,037
Budgetary expenditures and other financing uses	<u>113,181,588</u>	<u>112,447,560</u>	<u>111,745,102</u>	<u>(702,458)</u>
Net change in fund balance	7,625,366	9,985,127	11,377,622	1,392,495
Budgetary fund balance at beginning of year	53,410,446	53,410,446	53,410,446	-
Prior year encumbrances appropriated	863,091	863,091	863,091	-
Budgetary fund balance at end of year	<u><u>\$ 61,898,903</u></u>	<u><u>\$ 64,258,664</u></u>	<u><u>\$ 65,651,159</u></u>	<u><u>\$ 1,392,495</u></u>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY AND
DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

Fiscal Year (1)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.354240600%	\$ 19,573,619	\$ 14,078,086	139.04%	76.06%
2023	0.345594000%	18,692,412	12,915,921	144.72%	75.82%
2022	0.321677000%	11,868,948	11,067,936	107.24%	82.86%
2021	0.334031200%	22,093,527	11,734,600	188.28%	68.55%
2020	0.338642600%	20,261,581	11,627,215	174.26%	70.85%
2019	0.337132900%	19,308,226	10,910,578	176.97%	71.36%
2018	0.310681900%	18,562,557	10,372,829	178.95%	69.50%
2017	0.329781900%	24,136,992	10,255,307	235.36%	62.98%
2016	0.342068100%	19,518,737	10,229,901	190.80%	69.16%
2015	0.362708000%	18,356,445	10,539,531	174.17%	71.70%

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 2,036,224	\$ (2,036,224)	\$ -	\$ 14,544,457	14.00%
2023	1,970,932	(1,970,932)	-	14,078,086	14.00%
2022	1,808,229	(1,808,229)	-	12,915,921	14.00%
2021	1,549,511	(1,549,511)	-	11,067,936	14.00%
2020	1,642,844	(1,642,844)	-	11,734,600	14.00%
2019	1,569,674	(1,569,674)	-	11,627,215	13.50%
2018	1,472,928	(1,472,928)	-	10,910,578	13.50%
2017	1,452,196	(1,452,196)	-	10,372,829	14.00%
2016	1,435,743	(1,435,743)	-	10,255,307	14.00%
2015	1,357,527	(1,357,527)	-	10,299,901	13.18%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY AND
DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

Fiscal Year (1)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.413013260%	\$ 88,942,148	\$ 56,044,343	158.70%	80.02%
2023	0.422024070%	93,816,483	55,137,079	170.15%	78.88%
2022	0.425882573%	54,452,915	52,846,121	103.04%	87.78%
2021	0.417818010%	101,097,092	50,878,836	198.70%	75.48%
2020	0.410699710%	90,823,773	48,524,721	187.17%	77.40%
2019	0.401705370%	88,325,991	45,948,064	192.23%	77.31%
2018	0.393650450%	93,512,508	43,493,493	215.00%	75.30%
2017	0.398487910%	133,385,915	41,974,264	317.78%	66.80%
2016	0.396685150%	109,632,172	41,387,450	264.89%	72.10%
2015	0.397000000%	96,563,911	40,562,338	238.06%	74.70%

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 8,402,209	\$ (8,402,209)	\$ -	\$ 60,015,779	14.00%
2023	7,846,208	(7,846,208)	-	56,044,343	14.00%
2022	7,719,191	(7,719,191)	-	55,137,079	14.00%
2021	7,398,457	(7,398,457)	-	52,846,121	14.00%
2020	7,123,037	(7,123,037)	-	50,878,836	14.00%
2019	6,793,461	(6,793,461)	-	48,524,721	14.00%
2018	6,432,729	(6,432,729)	-	45,948,064	14.00%
2017	6,089,089	(6,089,089)	-	43,493,493	14.00%
2016	5,876,397	(5,876,397)	-	41,974,264	14.00%
2015	5,794,243	(5,794,243)	-	41,387,450	14.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY AND
DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST EIGHT AND TEN FISCAL YEARS

Fiscal Year (1) (2)	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.364368700%	\$ 6,002,775	\$ 14,078,086	42.64%	30.02%
2023	0.353620600%	4,964,870	12,915,921	38.44%	30.34%
2022	0.331501400%	6,273,936	11,067,936	56.69%	24.08%
2021	0.347551500%	7,553,432	11,734,600	64.37%	18.17%
2020	0.347069500%	8,728,068	11,627,215	75.07%	15.57%
2019	0.341224100%	9,466,478	10,910,578	86.76%	13.57%
2018	0.315581800%	8,469,386	10,372,829	81.65%	12.46%
2017	0.331853220%	9,459,044	10,255,307	92.24%	11.49%

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 246,573	\$ (246,573)	\$ -	\$ 14,544,457	1.70%
2023	265,572	(265,572)	-	14,078,086	1.89%
2022	232,201	(232,201)	-	12,915,921	1.80%
2021	212,085	(212,085)	-	11,067,936	1.92%
2020	227,664	(227,664)	-	11,734,600	1.94%
2019	269,800	(269,800)	-	11,627,215	2.32%
2018	234,088	(234,088)	-	10,910,578	2.15%
2017	173,440	(173,440)	-	10,372,829	1.67%
2016	75,899	(75,899)	-	10,255,307	0.74%
2015	76,219	(76,219)	-	10,299,901	0.74%

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

(2) Information prior to 2017 is not available. Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/(ASSET) AND
DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST EIGHT AND TEN FISCAL YEARS

Fiscal Year (1) (2)	District's Proportion of the Net OPEB Liability/(Asset)	District's Proportionate Share of the Net OPEB Liability/(Asset)	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)
2024	0.413013260%	\$ (8,032,537)	\$ 56,044,343	14.33%	168.52%
2023	0.422024070%	(10,927,606)	55,137,079	19.82%	230.73%
2022	0.425882573%	(8,979,386)	52,846,121	16.99%	174.73%
2021	0.417818010%	(7,343,149)	50,878,836	14.43%	182.10%
2020	0.410699710%	(6,802,171)	48,524,721	14.02%	174.74%
2019	0.401705370%	(6,454,995)	45,948,064	14.05%	176.00%
2018	0.393650450%	15,358,788	43,493,493	35.31%	47.10%
2017	0.398487910%	21,311,237	41,974,264	50.77%	37.30%

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ -	\$ -	\$ -	\$ 60,015,779	0.00%
2023	-	-	-	56,044,343	0.00%
2022	-	-	-	55,137,079	0.00%
2021	-	-	-	52,846,121	0.00%
2020	-	-	-	50,878,836	0.00%
2019	-	-	-	48,524,721	0.00%
2018	-	-	-	45,948,064	0.00%
2017	-	-	-	43,493,493	0.00%
2016	-	-	-	41,974,264	0.00%
2015	-	-	-	41,387,450	0.00%

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

(2) Information prior to 2017 is not available. Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 1 - 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. Beginning in fiscal year 2011 the Franklin County Auditor eliminated the tax budget requirement. Alternative information must be filed by January 20th with the County Auditor. Board action is not required for the alternative document.
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 2024 permanent appropriation measure at its September 12, 2023 regular meeting. The Board of Education adopted at the June 27, 2023 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.

NOTE 2 - BUDGETARY PROCESS

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

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

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 2 - BUDGETARY PROCESS – (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 11,377,622
Net adjustment for revenue accruals	5,135,360
Net adjustment for expenditure accruals	(59,383)
Net adjustment for other sources/uses	(1,402,243)
Funds budgeted elsewhere	(1,687,832)
Adjustments for encumbrances	863,091
GAAP Basis	<u>\$ 14,226,615</u>

As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the public school support fund, the uniform school supplies fund, the medical self-insurance fund, the workers' compensation self-insurance fund, the employee benefits fund, the unclaimed monies fund, the Upper Arlington Education Association fund, and the termination benefits fund.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 3 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Change in benefit terms:

- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.
- There were no changes in benefit terms from the amounts reported for fiscal year 2024.

Change in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 3 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2024.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Change in benefit terms:

- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023.

Changes in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2024.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 3 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Change in benefit terms:

- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.
- There were no changes in benefit terms from the amounts reported for fiscal year 2024.

Change in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 3 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.
- For fiscal year 2024, the following changes of assumptions affect the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 3.69% to 3.86%, (b) single equivalent interest rate when from 4.08% to 4.27% and (c) medical trend assumptions went from 7.00% to 4.40% to 6.75% to 4.40%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Change in benefit terms:

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2024.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 3 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Change in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.
- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.
- For fiscal year 2024, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) health care cost trend rates were changed to the following: Pre-Medicare from 7.50% initial - 3.94% ultimate to 7.50% initial - 4.14% ultimate; medical Medicare from -68.78% initial - 3.94% ultimate to -10.94% initial - 4.14% ultimate; prescription drug Pre-Medicare from 9.00% initial - 3.94% ultimate to -11.95% initial - 4.14% ultimate; Medicare from -5.47% initial - 3.94% ultimate to 1.33% initial - 4.14% ultimate.

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Donation)	10.555	\$ 168,046
National School Lunch Program		
Cash Assistance:		
School Breakfast Program	10.553	\$ 9,926
National School Lunch Program	10.555	\$ 357,447
COVID-19 National School Lunch Program	10.555	\$ 116,383
Total Child Nutrition Cluster		<u>\$ 651,802</u>
Total U.S. Department of Agriculture		<u>\$ 651,802</u>
U.S. DEPARTMENT OF TREASURY		
<i>Passed Through Office of Budget Management</i>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 753,827
Total U.S. Department of Treasury		<u>\$ 753,827</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Title I Grants to Local Educational Agencies	84.010A	\$ 238,829
Special Education Cluster:		
Special Education Grants to States	84.027A	\$ 1,652,570
Special Education Preschool Grants	84.173A	\$ 42,383
COVID-19 - American Rescue Plan Special Education - Grants to States	84.027X	\$ 1,900
Total Special Education Cluster		<u>\$ 1,696,853</u>
English Language Acquisition State Grants	84.365A	\$ 24,466
Supporting Effective Instruction State Grants	84.367A	\$ 86,805
Title IV-A Student Support and Academic Enrichment Program	84.424A	\$ 18,779
COVID-19 Education Stabilization Fund		
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	\$ 254,204
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	\$ 1,861,197
COVID-19 American Rescue Plan - Homeless Targeted Fund	84.425W	\$ 22,913
Total COVID-19 Education Stabilization Fund		<u>\$ 2,138,314</u>
Total U.S. Department of Education		<u>\$ 4,204,046</u>
Total Expenditures of Federal Awards		<u>\$ 5,609,675</u>

The accompanying notes are an integral part of this schedule.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Upper Arlington City School District (the District) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
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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
1619 Zollinger Road
Upper Arlington, Ohio 43221

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, (the District) as of and for the year ended June 30, 2024, 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 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 20, 2024

OHIO AUDITOR OF STATE KEITH FABER



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

Upper Arlington City School District
Franklin County
1619 Zollinger Road
Upper Arlington, Ohio 43221

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinions on Each Major Federal Program

We have audited Upper Arlington City School District's, Franklin County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Upper Arlington City School District's major federal programs for the year ended June 30, 2024. Upper Arlington City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Upper Arlington City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 20, 2024

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2024**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster State and Local Fiscal Recovery Funds AL # 21.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/10/2024

65 East State Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov