



OHIO AUDITOR OF STATE
KEITH FABER



**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2021**

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2021

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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 Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2021

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)**

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, 2021. 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 \$22,165,526 which represents a 80.54% increase from 2020's net position. This increase is primarily attributed to an increase of property taxes collected by June 30, 2021, and available for advance to the District. Property taxes collected and available to the District are reported as revenue under accounting principles generally accepted in the United States of America (GAAP). On May 4, 2020, and in response to the COVID-19 pandemic, Franklin County, Ohio received approval from the Ohio Tax Commissioner to extend the due date of the second half 2019 real estate tax payments for 45 days making the new due date August 5, 2020. As a result of the extension, the amount of property taxes collected by Franklin County and available as advance to the District at June 30, 2020, decreased dramatically. For 2021, no extension of the due date was granted resulting in a substantial increase in the amount of property taxes collected and available for advance by June 30, 2021, when compared to June 30, 2020. The fluctuation in property tax revenues resulted from timing differences of when property tax receipts are collected by the Franklin County.

The District has three major funds: the general fund, debt service fund and building fund. The general fund had \$129,625,289 in revenues and \$101,657,508 in expenditures and other financing uses. The general fund's fund balance increased \$27,967,781 from \$58,370,254 to \$86,338,035.

The debt service fund had \$20,208,827 in revenues and other financing sources and \$18,908,880 in expenditures. The fund balance of the debt service fund increased \$1,299,947 from \$11,006,992 to \$12,306,939.

The building fund had \$420,422 in revenues and \$88,792,278 in expenditures. The fund balance of the building fund decreased \$88,371,856 from \$121,352,827 to \$32,980,971.

Enrollment continues to grow and totaled approximately 6,050 students in 2020-21, which is a 1.8% increase in enrollment over the last 5 years. Enrollment projections indicate a 14.3% 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 three major funds: the general fund, the debt service fund, and the building 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 2021?" 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)**

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.

The District's statement of net position and statement of activities can be found on pages 17-19 of this report.

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, debt service fund and building 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. The basic governmental fund financial statements can be found on pages 21-24 of this report.

Reporting the District's Fiduciary Responsibilities

The District's fiduciary activities are reported in separate statement of changes in fiduciary net position. The District's fiduciary activities account for collections and disbursements for the Ohio High School Athletic Association which are reported in a custodial fund. This activity is excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District did not have any fiduciary balances or activities in fiscal year 2021.

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. These notes to the basic financial statements can be found on pages 25-66 of this report.

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. The required supplementary information can be found on pages 68-89 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)

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, 2021 and June 30, 2020.

	Net Position	
	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<u>Assets</u>		
Current and other assets	\$ 238,445,467	\$ 325,484,730
Net OPEB asset	7,343,149	6,802,171
Capital assets, net	<u>249,702,906</u>	<u>173,928,724</u>
Total assets	<u>495,491,522</u>	<u>506,215,625</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charge on debt refunding	107,249	225,253
Pension	23,466,212	23,153,396
OPEB	<u>3,232,704</u>	<u>2,645,759</u>
Total deferred outflows of resources	<u>26,806,165</u>	<u>26,024,408</u>
<u>Liabilities</u>		
Current liabilities	24,289,659	25,845,306
Long-term liabilities:		
Due within one year	7,515,914	10,881,466
Due in more than one year:		
Net pension liability	123,190,619	111,085,354
Net OPEB liability	7,553,432	8,728,068
Other amounts	<u>234,682,831</u>	<u>241,003,167</u>
Total liabilities	<u>397,232,455</u>	<u>397,543,361</u>
<u>Deferred Inflows of Resources</u>		
Property taxes and PILOTs levied for next year	61,665,000	90,385,100
Pension	1,100,523	5,903,755
OPEB	<u>12,612,032</u>	<u>10,885,666</u>
Total deferred inflows of resources	<u>75,377,555</u>	<u>107,174,521</u>
<u>Net Position</u>		
Net investment in capital assets	53,511,444	56,215,408
Restricted	24,505,973	23,911,535
Unrestricted (deficit)	<u>(28,329,740)</u>	<u>(52,604,792)</u>
Total net position	<u>\$ 49,687,677</u>	<u>\$ 27,522,151</u>

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)**

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.

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2021, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$49,687,677.

Current and other assets of the District decreased \$87,039,263 while capital assets, net increased \$75,774,182. The District continued to spend proceeds of the Series 2018A and Series 2018B school improvement bond issue on the Master Plan construction project.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)**

At year-end, capital assets represented 50.39% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2021, was \$53,511,444. 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.

Current liabilities remained comparable to the prior year. Long-term liabilities decreased primarily due principal payments made on long-term bonds. The District saw an increase in the net pension liability which was partially offset by a decrease in the net OPEB liability. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District. Deferred inflows decreased as the District experienced substantially more property tax collections by Franklin County by June 30, 2021 which were available for advance at year-end (see page 5). These collections are reported as revenue rather a deferred inflow of resources due to the timing of collections.

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 to the reported net position and subtracting deferred outflows related to pension and OPEB.

	Governmental Activities 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
Total net position (with GASB 68 and GASB 75)	\$ 49,687,677	\$ 27,522,151
GASB 68 calculations:		
Add: Deferred inflows related to pension	1,100,523	5,903,755
Add: Net pension liability	123,190,619	111,085,354
Less: Deferred outflows related to pension	(23,466,212)	(23,153,396)
GASB 75 calculations:		
Add: Deferred inflows related to OPEB	12,612,032	10,885,666
Add: Net OPEB liability	7,553,432	8,728,068
Less: Net OPEB asset	(7,343,149)	(6,802,171)
Less: Deferred outflows related to OPEB	(3,232,704)	(2,645,759)
Total net position (without GASB 68 and GASB 75)	<u>\$ 160,102,218</u>	<u>\$ 131,523,668</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)

The table below shows the change in net position for fiscal years 2021 and 2020.

	Change in Net Position	
	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,477,551	\$ 5,369,570
Operating grants and contributions	5,158,650	4,786,002
Capital grants and contributions	42,333	36,664
General revenues:		
Property taxes	132,598,714	63,965,687
Payment in lieu of taxes	2,552,251	1,914,324
Grants and entitlements	13,476,731	13,117,771
Capital donations not restricted	903,968	4,128,946
Investment earnings	306,152	6,973,103
Other	3,588,480	3,809,369
Total revenues	<u>161,104,830</u>	<u>104,101,436</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	66,564,962	53,600,683
Special	18,953,457	18,082,216
Vocational	145,236	178,668
Other	210,204	201,992
Support services:		
Pupil	8,570,899	8,178,821
Instructional staff	5,289,397	5,028,406
Board of education	37,947	44,404
School administration	7,281,927	6,780,465
Fiscal	2,707,473	2,525,201
Business	700,470	663,468
Operations and maintenance	8,435,833	7,994,655
Pupil transportation	2,130,992	2,136,297
Central	2,287,803	3,153,971
General administration	23,023	55,051
Operation of non-instructional services:		
Food service operations	1,378,893	1,927,004
Community services	2,590,163	3,779,787
Extracurricular activities	2,613,544	3,150,863
Interest and fiscal charges	9,017,081	9,292,798
Total expenses	<u>138,939,304</u>	<u>126,774,750</u>
Change in net position	22,165,526	(22,673,314)
Net position at beginning of year	<u>27,522,151</u>	<u>50,195,465</u>
Net position at end of year	<u>\$ 49,687,677</u>	<u>\$ 27,522,151</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)

Governmental Activities

Net position of the District's governmental activities increased \$22,165,526. Total governmental expenses of \$138,939,304 were offset by program revenues of \$7,678,534 and general revenues of \$153,426,296. Program revenues supported 5.53% of the total governmental expenses. Charges for services program revenues decreased primarily due to (1) less tuition generated by the early childhood program and school age care program, and (2) a decrease in charges for services for food service operations and student related activity fees. Each of these areas decreased due to the COVID-19 pandemic. Operating grants and contributions increased primarily due to increased federal grant funding including \$291,934 in Elementary and Secondary School Emergency Relief (ESSER) funding and \$281,574 in Coronavirus Relief funding.

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 92.26% of total governmental revenue. The most significant increase was in property tax revenue primarily attributed to an increase of property taxes collected by June 30, 2021, and available for advance to the District. Property taxes collected and available to the District are reported as revenue under GAAP. On May 4, 2020, and in response to the COVID-19 pandemic, Franklin County, Ohio received approval from the Ohio Tax Commissioner to extend the due date of the second half 2019 real estate tax payments for 45 days making the new due date August 5, 2020. As a result of the extension, the amount of property taxes collected by Franklin County and available as advance to the District at June 30, 2020 decreased dramatically. For 2021, no extension of the due date was granted resulting in a substantial increase in the amount of taxes collected and available for advance by June 30, 2021, when compared to June 30, 2020. The amounts of taxes collected and available as advance were \$40,039,857, \$6,990,147, and \$36,369,098 at June 30, 2021, June 30, 2020, and June 30, 2019, respectively. The fluctuation in property tax revenues resulted from timing differences of when property tax receipts are collected by the Franklin County.

Capital donations not restricted decreased as new contributions to the Legacy Campaign slowed in fiscal year 2021. Donations are recognized in the year they are contributed. The Legacy Campaign received a substantial amount of the total pledges in fiscal year 2020. The Legacy Campaign supports the District's various construction projects. Investment earnings decreased as the District spent funds on the Master Plan construction project thus having less money invested in fiscal year 2021. In addition, GAAP requires certain investments to be reported at fair value rather than cost. Although the fair value of investments was greater than their cost basis for both June 30, 2021, and June 30, 2020, there was a decrease in the total fair value of investments from June 30, 2020, and June 30, 2021, which is reported as a component of interest revenue. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Overall, expenses of the governmental activities increased \$12,164,554 or 9.60%. The District reported a \$3,074,738 loss on the disposal of the old Windemere building and certain equipment as part of the Master Plan construction project. In addition, the District incurred \$6,958,696 of noncapital costs associated with the construction. These expenses are primarily reported as a regular instruction expense which accounts for the increase in that functional area.

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, 2021 and June 30, 2020 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 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
Total change in net position (with GASB 68 and GASB 75)	\$ 22,165,526	\$ (22,673,314)
GASB 68 calculations:		
Add: Pension expense	15,937,185	16,712,236
Less: Current year contributions	(8,947,968)	(8,765,881)
GASB 75 calculations:		
Add: OPEB expense	(364,108)	(1,796,213)
Less: Current year contributions	(212,085)	(227,664)
Total change in net position (without GASB 68 and GASB 75)	<u>\$ 28,578,550</u>	<u>\$ (16,750,836)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)**

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>2021</u>	Net Cost of Services <u>2021</u>	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>
Program expenses				
Instruction:				
Regular	\$ 66,564,962	\$ 65,904,434	\$ 53,600,683	\$ 53,148,852
Special	18,953,457	16,469,082	18,082,216	15,079,000
Vocational	145,236	130,197	178,668	163,629
Other	210,204	184,607	201,992	178,410
Support services:				
Pupil	8,570,899	8,123,535	8,178,821	7,874,484
Instructional staff	5,289,397	5,182,642	5,028,406	4,911,570
Board of education	37,947	37,947	44,404	44,404
School administration	7,281,927	7,281,927	6,780,465	6,780,234
Fiscal	2,707,473	2,705,027	2,525,201	2,523,666
Business	700,470	700,121	663,468	663,098
Operations and maintenance	8,435,833	8,288,106	7,994,655	7,837,443
Pupil transportation	2,130,992	2,020,952	2,136,297	2,053,447
Central	2,287,803	2,276,742	3,153,971	3,147,005
General administration	23,023	23,023	55,051	55,051
Operations of non-instructional services:				
Food service operations	1,378,893	696,245	1,927,004	193,890
Community services	2,590,163	552,899	3,779,787	1,019,607
Extracurricular activities	2,613,544	1,666,203	3,150,863	1,615,926
Interest and fiscal charges	<u>9,017,081</u>	<u>9,017,081</u>	<u>9,292,798</u>	<u>9,292,798</u>
Total	<u>\$ 138,939,304</u>	<u>\$ 131,260,770</u>	<u>\$ 126,774,750</u>	<u>\$ 116,582,514</u>

The dependence upon tax and other general revenues for governmental activities is apparent as 96.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 94.47%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$147,395,116 which is lower than last year's total of \$204,383,773. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

	Fund Balance <u>June 30, 2021</u>	Fund Balance <u>June 30, 2020</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 86,338,035	\$ 58,370,254	\$ 27,967,781	47.91 %
Debt service	12,306,939	11,006,992	1,299,947	11.81 %
Building	32,980,971	121,352,827	(88,371,856)	(72.82) %
Other Governmental	<u>15,769,171</u>	<u>13,653,700</u>	<u>2,115,471</u>	15.49 %
Total	<u>\$ 147,395,116</u>	<u>\$ 204,383,773</u>	<u>\$ (56,988,657)</u>	(27.88) %

General Fund

During fiscal year 2021, the District's general fund balance increased \$27,647,100. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2021 Amount</u>	<u>2020 Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Property taxes and payments in lieu of taxes	\$ 112,175,958	\$ 54,927,536	\$ 57,248,422	104.23 %
Earnings on investments	194,784	2,693,291	(2,498,507)	(92.77) %
Intergovernmental	13,291,355	12,930,876	360,479	2.79 %
Other revenues	<u>3,963,192</u>	<u>4,937,134</u>	<u>(973,942)</u>	(19.73) %
Total	<u>\$ 129,625,289</u>	<u>\$ 75,488,837</u>	<u>\$ 54,136,452</u>	71.71 %
<u>Expenditures</u>				
Instruction	\$ 64,535,577	\$ 61,909,187	\$ 2,626,390	4.24 %
Support services	34,108,605	33,525,350	583,255	1.74 %
Extracurricular activities	1,539,848	1,713,152	(173,304)	(10.12) %
Community services	39,904	43,053	(3,149)	(7.31) %
Debt service	<u>525,000</u>	<u>524,460</u>	<u>540</u>	0.10 %
Total	<u>\$ 100,748,934</u>	<u>\$ 97,715,202</u>	<u>\$ 3,033,732</u>	3.10 %

Overall, revenues of the general fund increased \$54,136,452 or 71.71%. The most significant increase was in property tax revenue attributed to fluctuations in the amount of property taxes collected and available for advance to the District by June 30 as described on pages 5 and 9. The amount of tax advance collected and available at fiscal year-end is reported as revenue in that fiscal year in the general fund in accordance with GAAP. For the general fund, the amounts of taxes collected and available as advance were \$33,132,432, \$5,841,833, and \$31,161,702 at June 30, 2021, June 30, 2020, and June 30, 2019, respectively. The fluctuations in these amounts are due to timing differences of when property tax receipts are collected by the Franklin County and are primarily responsible for the increase in property tax revenue reported for 2021. On the budgetary basis of accounting (cash-basis), property tax receipts, including payments in lieu of taxes, for the fiscal year end June 30, 2021, June 30, 2020, and June 30, 2019, were \$84,315,686, \$82,693,286, and \$77,064,547, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)**

Investment earnings decreased due to fluctuations in the fair value of investments and lower interest rates on investments. Although the fair value of investments was greater than their cost basis for both June 30, 2021, and June 30, 2020, there was a decrease in the total fair value of investments from June 30, 2020, and June 30, 2021, which is reported as a component of interest revenue. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Intergovernmental revenues increased due to more funding being received by the District from the State of Ohio in the form of Foundation payments. In fiscal year 2021, the State of Ohio eliminated the Foundation cut implemented the previous year.

Expenditures increased \$3,033,732 or 3.10%. Instructional services increased \$2,626,390 due to increased staffing and programs associated with enrollment growth, increased costs related to the instruction of students with special needs, and normal and customary increases in salaries and benefits costs. Extracurricular expenditures decreased due to few activities as a result of the COVID-19 pandemic. Debt service expenditures remained comparable to the prior year as the District continued to make required technology capital lease payments through the general fund.

Debt Service Fund

The debt service fund had \$20,208,827 in revenues and other financing sources and \$18,908,880 in expenditures. The fund balance of the debt service fund increased \$1,299,947 from \$11,006,992 to \$12,306,939. In fiscal 2019, the District deposited \$19,380,754 in bond issuance premium into the debt service fund that was for future debt service payments.

The debt service fund reported an increase in property tax revenue attributed to fluctuations in the amount of property taxes collected and available for advance to the District by June 30 as described on pages 5 and 9. The amount of tax advance collected and available at fiscal year-end is reported as revenue in that fiscal year in the debt service fund in accordance with GAAP. For the debt service fund, the amounts of taxes collected and available as advance were \$5,754,288, \$940,494, and \$5,555,360 at June 30, 2021, June 30, 2020, and June 30, 2019, respectively. The fluctuations in these amounts are due to timing differences of when property tax receipts are collected by the Franklin County and are primarily responsible for the increase in property tax revenue reported for 2021. On the budgetary basis of accounting (cash-basis), property tax receipts for the fiscal year end June 30, 2021, June 30, 2020, and June 30, 2019, were \$14,069,718, \$13,127,747, and \$12,244,613, respectively.

Building Fund

The building fund had \$420,422 in revenues and \$88,792,278 in expenditures. The fund balance of the building fund decreased \$88,371,856 from \$121,352,827 to \$32,980,971. The District established the building fund to account for the Series 2018A and Series 2018B School Facilities and Construction Bonds issued in fiscal year 2018. The decrease in fund balance is attributable to monies spent on the construction project.

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 2021, 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 \$96,193,455 and \$100,876,661, respectively. Actual revenues and other financing sources of \$101,082,250 were \$206,289 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$103,124,049 were \$2,141,781 lower than final appropriations (appropriated expenditures plus other financing uses) of \$105,265,830. Original appropriations were \$103,658,180. Advances out to other funds and transfers out to other funds increased \$1,400,000 and \$1,233,575, respectively, from the original to final budget. There were no other significant modifications made between the original and final budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the District had \$249,702,906 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table that follows shows June 30, 2021 balances compared to June 30, 2020:

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

	Governmental Activities	
	2021	2020
Land	\$ 629,783	\$ 629,783
Construction in progress	133,442,746	118,554,559
Land improvements	5,214,318	3,737,773
Buildings and improvements	106,018,427	46,291,094
Furniture and equipment	3,261,110	3,721,564
Vehicles	1,136,522	993,951
Total	\$ 249,702,906	\$ 173,928,724

The overall increase of \$75,774,182 is primarily the result of additions of \$83,681,604 exceeding depreciation expense of \$4,832,684 and disposals of \$3,074,738 (net of accumulated depreciation). During fiscal year 2021, the District disposed of a building and equipment being replaced by the construction project.

See Note 7 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2021, the District had \$216,559,300 in general obligation bonds, notes and capital leases outstanding. The general obligation bond issues are comprised of current interest bonds. Of this total, \$5,564,300 is due within one year and \$210,995,000 is due in more than one year. The table below summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2021	2020
Current interest bonds - 2018A	\$ 143,600,000	\$ 149,080,000
Current interest bonds - 2018B	65,940,000	65,940,000
Refunding issue bonds - 2013	5,550,000	8,325,000
Notes payable - 2016	775,000	1,535,000
Capital leases	694,300	1,388,600
Total	\$ 216,559,300	\$ 226,268,600

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (unaudited)**

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. However, the District's greatest enrollment growth is anticipated in the next 10 years.

The financial picture of the District appears stable over the next 3 years according to the District's latest Five Year Forecast passed in November 2021. This Forecast shows a positive cash balance after reserves through 2024 however, forecasted expenditures continue to exceed forecasted revenues. The District anticipates being on the ballot in November 2022 to address this trend.

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 as was successfully accomplished 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, 1950 North Mallway Drive, Upper Arlington, Ohio 43221.

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

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 130,818,508
Receivables:	
Property taxes	102,802,749
Payment in lieu of taxes	1,320,848
Accounts	2,562,730
Accrued interest	133,417
Intergovernmental	552,742
Prepayments	117,159
Materials and supplies inventory	46,217
Inventory held for resale	91,097
Net OPEB asset	7,343,149
Capital assets:	
Nondepreciable capital assets	134,072,529
Depreciable capital assets, net	115,630,377
Capital assets, net	249,702,906
Total assets	495,491,522
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	107,249
Pension	23,466,212
OPEB	3,232,704
Total deferred outflows of resources	26,806,165
Liabilities:	
Accounts payable	1,289,859
Contracts payable	3,440,346
Retainage payable	8,629,525
Accrued wages and benefits payable	8,096,571
Intergovernmental payable	2,034,446
Accrued interest payable	798,912
Long-term liabilities:	
Due within one year	7,515,914
Due in more than one year:	
Net pension liability	123,190,619
Net OPEB liability	7,553,432
Other amounts due in more than one year	234,682,831
Total liabilities	397,232,455
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	60,913,824
Payment in lieu of taxes levied for the next fiscal year	751,176
Pension	1,100,523
OPEB	12,612,032
Total deferred inflows of resources	75,377,555
Net position:	
Net investment in capital assets	53,511,444
Restricted for:	
Capital projects	20,735,465
Food service operations	86,046
Extracurricular	918,125
Community activities	978,920
Locally funded programs	1,000,885
State funded programs	501,268
Federally funded programs	146,168
Other purposes	139,096
Unrestricted (deficit)	(28,329,740)
Total net position	\$ 49,687,677

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, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Instruction:				
Regular	\$ 66,564,962	\$ 223,001	\$ 437,527	\$ -
Special	18,953,457	56,621	2,427,754	-
Vocational	145,236	-	15,039	-
Other	210,204	25,345	252	-
Support services:				
Pupil	8,570,899	15,584	431,780	-
Instructional staff	5,289,397	5,591	101,164	-
Board of education	37,947	-	-	-
Administration	7,281,927	-	-	-
Fiscal	2,707,473	-	2,446	-
Business	700,470	-	349	-
Operations and maintenance	8,435,833	41,810	105,917	-
Pupil transportation	2,130,992	-	110,040	-
Central	2,287,803	10,952	109	-
General administration	23,023	-	-	-
Operation of non-instructional services:				
Food service operations	1,378,893	80,809	601,839	-
Community services	2,590,163	1,306,769	730,495	-
Extracurricular activities	2,613,544	711,069	193,939	42,333
Interest and fiscal charges	9,017,081	-	-	-
Totals	<u>\$ 138,939,304</u>	<u>\$ 2,477,551</u>	<u>\$ 5,158,650</u>	<u>\$ 42,333</u>

General revenues:
Property taxes levied for:
 General purposes
 Debt service
 Capital outlay
Payments in lieu of taxes
Grants and entitlements not restricted
to specific programs
Capital donations not restricted
to specific programs
Investment earnings
Miscellaneous
Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense)
Revenue and
Changes in
Net Position**

**Governmental
Activities**

\$	(65,904,434)
	(16,469,082)
	(130,197)
	(184,607)
	(8,123,535)
	(5,182,642)
	(37,947)
	(7,281,927)
	(2,705,027)
	(700,121)
	(8,288,106)
	(2,020,952)
	(2,276,742)
	(23,023)
	(696,245)
	(552,899)
	(1,666,203)
	(9,017,081)
	<hr/>
	(131,260,770)
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	109,829,792
	18,936,095
	3,832,827
	2,552,251
	13,476,731
	903,968
	306,152
	3,588,480
	<hr/>
	153,426,296
	<hr/>
	22,165,526
	<hr/>
	27,522,151
	<hr/>
\$	<u><u>49,687,677</u></u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Debt Service	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 63,095,935	\$ 6,552,651	\$ 45,022,522	\$ 16,147,400	\$ 130,818,508
Receivables:					
Property taxes	85,067,862	14,774,195	-	2,960,692	102,802,749
Payment in lieu of taxes	1,320,848	-	-	-	1,320,848
Accounts	6,652	-	-	2,556,078	2,562,730
Accrued interest	95,932	-	37,485	-	133,417
Interfund loans	1,464,853	-	-	-	1,464,853
Intergovernmental	5,794	-	-	546,948	552,742
Prepayments	117,159	-	-	-	117,159
Materials and supplies inventory	41,317	-	-	4,900	46,217
Inventory held for resale	-	-	-	91,097	91,097
Due from other funds	390	-	-	-	390
Total assets	<u>\$ 151,216,742</u>	<u>\$ 21,326,846</u>	<u>\$ 45,060,007</u>	<u>\$ 22,307,115</u>	<u>\$ 239,910,710</u>
Liabilities:					
Accounts payable	\$ 1,226,992	\$ -	\$ -	\$ 62,867	\$ 1,289,859
Contracts payable	-	-	3,439,200	1,146	3,440,346
Retainage payable	-	-	8,629,525	-	8,629,525
Accrued wages and benefits payable	7,771,614	-	-	324,957	8,096,571
Compensated absences payable	1,172,564	-	-	-	1,172,564
Intergovernmental payable	1,966,993	-	-	67,453	2,034,446
Interfund loans payable	-	-	-	1,464,853	1,464,853
Due to other funds	-	-	-	390	390
Total liabilities	<u>12,138,163</u>	<u>-</u>	<u>12,068,725</u>	<u>1,921,666</u>	<u>26,128,554</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	50,405,352	8,754,170	-	1,754,302	60,913,824
Payment in lieu of taxes levied for the next fiscal year	751,176	-	-	-	751,176
Delinquent property tax revenue not available	1,530,078	265,737	-	53,253	1,849,068
Intergovernmental revenue not available	2,245	-	-	546,948	549,193
Accrued interest not available	51,693	-	10,311	-	62,004
Donation revenue not available	-	-	-	2,261,775	2,261,775
Total deferred inflows of resources	<u>52,740,544</u>	<u>9,019,907</u>	<u>10,311</u>	<u>4,616,278</u>	<u>66,387,040</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	41,317	-	-	4,900	46,217
Prepays	117,159	-	-	-	117,159
Unclaimed monies	12,893	-	-	-	12,893
Restricted:					
Debt service	-	12,306,939	-	-	12,306,939
Capital improvements	-	-	32,980,971	8,093,791	41,074,762
Food service operations	-	-	-	127,127	127,127
Locally funded programs	-	-	-	1,000,885	1,000,885
State funded programs	-	-	-	513,018	513,018
Extracurricular	-	-	-	925,936	925,936
Community activities	-	-	-	1,090,816	1,090,816
Other purposes	-	-	-	118,392	118,392
Committed:					
Capital improvements	-	-	-	4,603,585	4,603,585
Termination benefits	750,000	-	-	-	750,000
Medical insurance	8,391,652	-	-	-	8,391,652
Workers' compensation	508,599	-	-	-	508,599
Other purposes	414,794	-	-	-	414,794
Assigned:					
Student instruction	386,744	-	-	-	386,744
Student and staff support	1,187,845	-	-	-	1,187,845
General administration	34,512	-	-	-	34,512
Subsequent year's appropriations	5,781,540	-	-	-	5,781,540
School supplies	96,005	-	-	-	96,005
Unassigned (deficit)	<u>68,614,975</u>	<u>-</u>	<u>-</u>	<u>(709,279)</u>	<u>67,905,696</u>
Total fund balances	<u>86,338,035</u>	<u>12,306,939</u>	<u>32,980,971</u>	<u>15,769,171</u>	<u>147,395,116</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 151,216,742</u>	<u>\$ 21,326,846</u>	<u>\$ 45,060,007</u>	<u>\$ 22,307,115</u>	<u>\$ 239,910,710</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, 2021

Total governmental fund balances		\$ 147,395,116
<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.		249,702,906
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 1,849,068	
Accounts receivable	2,261,775	
Accrued interest receivable	62,004	
Intergovernmental receivable	549,193	
Total	4,722,040	4,722,040
Unamortized premiums on bonds issued are not recognized in the funds.		(17,383,506)
Unamortized amounts on refundings are not recognized in the funds.		107,249
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(798,912)
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	23,466,212	
Deferred inflows - Pension	(1,100,523)	
Net pension liability	(123,190,619)	(100,824,930)
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	3,232,704	
Deferred inflows - OPEB	(12,612,032)	
Net OPEB asset	7,343,149	
Net OPEB liability	(7,553,432)	
Total		(9,589,611)
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	(215,090,000)	
Notes payable	(775,000)	
Capital lease obligations	(694,300)	
Compensated absences	(7,083,375)	
Total	(223,642,675)	(223,642,675)
Net position of governmental activities		\$ 49,687,677

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, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 109,623,707	\$ 18,883,512	\$ -	\$ 3,826,674	\$ 132,333,893
Intergovernmental	13,291,355	532,736	-	4,209,886	18,033,977
Investment earnings	194,784	-	420,422	7,945	623,151
Tuition and fees	278,014	-	-	1,310,040	1,588,054
Extracurricular	203,439	-	-	320,902	524,341
Rental income	41,810	-	-	-	41,810
Charges for services	-	-	-	80,809	80,809
Contributions and donations	-	-	-	1,697,711	1,697,711
Payment in lieu of taxes	2,552,251	-	-	-	2,552,251
Miscellaneous	3,439,929	16,524	-	750,089	4,206,542
Total revenues	<u>129,625,289</u>	<u>19,432,772</u>	<u>420,422</u>	<u>12,204,056</u>	<u>161,682,539</u>
Expenditures:					
Current:					
Instruction:					
Regular	48,319,993	-	-	1,906,951	50,226,944
Special	16,070,348	-	-	1,765,568	17,835,916
Vocational	145,236	-	-	-	145,236
Other	-	-	-	36,909	36,909
Support services:					
Pupil	7,786,306	-	-	331,634	8,117,940
Instructional staff	4,983,323	-	-	76,441	5,059,764
Board of education	36,413	-	-	-	36,413
Administration	6,750,510	-	-	-	6,750,510
Fiscal	2,395,097	189,850	-	45,756	2,630,703
Business	672,408	-	-	300	672,708
Operations and maintenance	7,386,124	-	-	288,915	7,675,039
Pupil transportation	1,890,802	-	-	275,100	2,165,902
Central	2,184,599	-	-	15,949	2,200,548
General administration	23,023	-	-	-	23,023
Operation of non-instructional services:					
Food service operations	-	-	-	1,243,290	1,243,290
Community services	39,904	-	-	2,540,142	2,580,046
Extracurricular activities	1,539,848	-	-	842,636	2,382,484
Facilities acquisition and construction	-	-	88,792,278	682,213	89,474,491
Debt service:					
Principal retirement	525,000	9,015,000	-	169,300	9,709,300
Interest and fiscal charges	-	9,704,030	-	-	9,704,030
Total expenditures	<u>100,748,934</u>	<u>18,908,880</u>	<u>88,792,278</u>	<u>10,221,104</u>	<u>218,671,196</u>
Excess of revenues over (under) expenditures	<u>28,876,355</u>	<u>523,892</u>	<u>(88,371,856)</u>	<u>1,982,952</u>	<u>(56,988,657)</u>
Other financing sources (uses):					
Transfers in	-	776,055	-	908,574	1,684,629
Transfers (out)	(908,574)	-	-	(776,055)	(1,684,629)
Total other financing sources (uses)	<u>(908,574)</u>	<u>776,055</u>	<u>-</u>	<u>132,519</u>	<u>-</u>
Net change in fund balances	27,967,781	1,299,947	(88,371,856)	2,115,471	(56,988,657)
Fund balances at beginning of year	<u>58,370,254</u>	<u>11,006,992</u>	<u>121,352,827</u>	<u>13,653,700</u>	<u>204,383,773</u>
Fund balances at end of year	<u>\$ 86,338,035</u>	<u>\$ 12,306,939</u>	<u>\$ 32,980,971</u>	<u>\$ 15,769,171</u>	<u>\$ 147,395,116</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, 2021

Net change in fund balances - total governmental funds		\$ (56,988,657)
<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	\$ 83,681,604	
Current year depreciation	<u>(4,832,684)</u>	
Total		78,848,920
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(3,074,738)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	264,821	
Earnings on investments	(316,854)	
Donations	(655,817)	
Other local revenue	(109,056)	
Intergovernmental	<u>239,197</u>	
Total		(577,709)
Repayment of bond, note, and capital lease principal is an expenditure in the funds, but the repayment reduces long-term liabilities on the statement of net position.		
Bonds	8,255,000	
Notes	760,000	
Capital leases	<u>694,300</u>	
		9,709,300
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:		
(Increase) decrease in accrued interest payable	19,553	
Amortization of bond premiums	785,400	
Amortization of deferred charges	<u>(118,004)</u>	
Total		686,949
Contractually required pension contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		8,947,968
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(15,937,185)
Contractually required OPEB contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		212,085
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.		
		364,108
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>(25,515)</u>
Change in net position of governmental activities	\$	<u>22,165,526</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, 2021

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 8 schools and other buildings and departments that employ approximately 910 employees. Our student population is 6,050 students, excluding Community Schools’ enrollment.

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 2021, the District paid META Solutions \$148,884 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, 2021

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 \$65,600 to Rockbridge Academy during fiscal year 2021. 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.

Building fund - The building fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Nonmajor governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, not accounted for in the building fund, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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. ²⁷ 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. The fiduciary funds are reported by type.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. During fiscal year 2021, the District had no custodial activity; therefore, no statement is presented.

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, 2021

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 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, 2021**

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, 2021, but which were levied to finance fiscal year 2022 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.

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 2021, 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, U.S. Treasury bonds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, the District measures investments at fair value which is based on quoted market prices.

During fiscal year 2021, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its 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.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. 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.

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 2021 amounted to \$194,784 which includes \$53,716 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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 a cost of less than \$2,500 and a useful life of less than one year. 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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	15 - 50 Years
Furniture and Equipment	3 - 20 Years
Vehicles	8 - 15 Years

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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 and capital 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.

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 \$24,505,973 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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 reflects the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary schedule reflects 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 reflects 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 reflects 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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 2021.

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.

W. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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 at least three months of operating expenses before July 1, 2021 and 1.56 months of expenditures after July 1, 2021. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2021, the District has applied GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

B. Deficit Fund Balances

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Elementary and Secondary School	
Emergency Relief (ESSER)	\$ 334,660
IDEA Part B	292,517
Title III - Limited English Proficiency	310
Title I	61,220
Improving Teacher Quality	<u>20,572</u>
Total	<u>\$ 709,279</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 and the reporting of short-term interfund loans for advances received from the general fund.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At June 30, 2021, the District had \$400 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, 2021, the carrying amount of all District deposits was \$5,827,588 and the bank balance of all District deposits was \$5,959,619. Of the bank balance, \$250,000 was covered by the FDIC, \$3,425,662 was covered by the Ohio Pooled Collateral System, and \$2,283,957 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

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 2021, 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, 2021, 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	\$ 1,809,066	\$ -	\$ 553,957	\$ -	\$ 249,447	\$ 1,005,662
FFCB	12,627,160	-	2,767,069	500,381	1,754,030	7,605,680
FHLMC	4,702,234	-	1,198,552	750,141	-	2,753,541
FNMA	3,423,890	-	-	-	-	3,423,890
Commercial Paper	22,282,530	18,285,930	3,996,600	-	-	-
Negotiable CD's	14,363,405	1,500,996	5,701,148	1,250,439	3,018,176	2,892,646
U.S. Treasury notes	7,710,775	3,535,006	1,153,716	-	-	3,022,053
U.S. Treasury bonds	745,430	-	-	-	-	745,430
<i>Cost:</i>						
Money Market	39,369	39,369	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	<u>57,286,661</u>	<u>57,286,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 124,990,520</u>	<u>\$ 80,647,962</u>	<u>\$ 15,371,042</u>	<u>\$ 2,500,961</u>	<u>\$ 5,021,653</u>	<u>\$ 21,448,902</u>

The weighted average maturity of investments is 0.72 years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The District's investments in federal agency securities (FHLB, FHLMC, FNMA, and FFCB), U.S. Treasury notes, U.S. Treasury 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.

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, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FHLB	\$ 1,809,066	1.45
FFCB	12,627,160	10.10
FHLMC	4,702,234	3.76
FNMA	3,423,890	2.74
Commercial Paper	22,282,530	17.83
Negotiable CD's	14,363,405	11.49
U.S. Treasury notes	7,710,775	6.17
U.S. Treasury bonds	745,430	0.60
<i>Cost:</i>		
Money Market	39,369	0.03
<i>Amortized Cost:</i>		
STAR Ohio	57,286,661	45.83
Total	<u>\$ 124,990,520</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,827,588
Investments	124,990,520
Cash on hand	<u>400</u>
Total	<u>\$ 130,818,508</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 130,818,508</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2021 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. 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:

	<u>Governmental activities</u>
Property taxes	\$ 102,802,749
Payments in lieu of taxes	1,320,848
Accounts	2,562,730
Accrued interest	133,417
Intergovernmental	<u>552,742</u>
Total	<u>\$ 107,372,486</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, 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, as was seen during fiscal year 2021, State statute permits alternate payment dates to be established as Franklin County received approval from the Ohio Tax Commissioner to extend the due date of the second half 2020 real estate tax payments for 45 days. Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, 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, 2021, are available to finance fiscal year 2021 operations. The amount available as an advance at June 30, 2021 was \$33,132,432 in the general fund, \$5,754,288 in the debt service fund, and \$1,153,137 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2020 was \$5,841,833 in the general fund, \$940,494 in the debt service fund, and \$207,820 in the permanent improvement fund (a nonmajor governmental fund). 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.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2021 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 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,918,695,870	98.48	\$ 2,279,894,360	98.62
Public utility personal	<u>29,547,940</u>	<u>1.52</u>	<u>31,925,260</u>	<u>1.38</u>
Total	<u>\$ 1,948,243,810</u>	<u>100.00</u>	<u>\$ 2,311,819,620</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance</u> <u>06/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/21</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 629,783	\$ -	\$ -	\$ 629,783
Construction in progress	<u>118,554,559</u>	<u>67,612,553</u>	<u>(52,724,366)</u>	<u>133,442,746</u>
Total capital assets, not being depreciated	<u>119,184,342</u>	<u>67,612,553</u>	<u>(52,724,366)</u>	<u>134,072,529</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,492,151	1,806,150	(599,151)	6,699,150
Buildings and improvements	92,581,256	65,263,417	(5,676,642)	152,168,031
Furniture and equipment	14,840,169	1,415,715	(5,737,204)	10,518,680
Vehicles	<u>3,188,519</u>	<u>308,135</u>	<u>(275,965)</u>	<u>3,220,689</u>
Total capital assets, being depreciated	<u>116,102,095</u>	<u>68,793,417</u>	<u>(12,288,962)</u>	<u>172,606,550</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,754,378)	(320,150)	589,696	(1,484,832)
Buildings and improvements	(46,290,162)	(3,047,846)	3,188,404	(46,149,604)
Furniture and equipment	(11,118,605)	(1,299,124)	5,160,159	(7,257,570)
Vehicles	<u>(2,194,568)</u>	<u>(165,564)</u>	<u>275,965</u>	<u>(2,084,167)</u>
Total accumulated depreciation	<u>(61,357,713)</u>	<u>(4,832,684)</u>	<u>9,214,224</u>	<u>(56,976,173)</u>
Governmental activities capital assets, net	<u>\$ 173,928,724</u>	<u>\$ 131,573,286</u>	<u>\$ (55,799,104)</u>	<u>\$ 249,702,906</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 3,983,531
Special	89,570

Support services:

Pupil	6,202
Instructional staff	44,431
School administration	60,656
Operations and maintenance	182,856
Pupil transportation	143,458

Operation of non-instructional:

Food service operations	8,321
Community services	90,158
Extracurricular activities	<u>223,501</u>
Total depreciation expense	<u>\$ 4,832,684</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

On September 7, 2015, the District entered into a master lease agreement to finance various computer hardware. As part of this master agreement, the District entered into two separate lease agreements in the amounts of \$2,069,716 and \$2,770,200 dated May 26, 2016 and January 14, 2019, respectively. These leases meet the criteria of a capital lease as defined by GASB which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease 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.

During fiscal year 2020, the District made the final lease payment on the May 26, 2016 lease and disposed of the assets acquired by that lease in fiscal year 2021.

At June 30, 2021, assets acquired by the leases in the amount of \$2,777,200 are included in capital assets as furniture, fixtures, and equipment. Depreciation expense in fiscal 2021 was \$925,733. Accumulated depreciation was \$2,314,333 as of June 30, 2021.

At inception, a liability was recorded on the statement of net position for the present value of the future minimum lease payments required under the lease agreements. Principal payments in the 2021 fiscal year totaled \$694,300 which is reflected as debt service principal retirement in the general fund and 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 the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2021:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2022	\$ 694,300
Less: amount representing interest	-
Present value of minimum lease payments	<u>\$ 694,300</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the year consist of the following.

	<u>Balance</u> <u>07/01/20</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/21</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Governmental activities:</u>					
<u>General obligation bonds:</u>					
Series 2013 refunding:					
Serial bonds	\$ 8,325,000	\$ -	\$ (2,775,000)	\$ 5,550,000	\$ 2,890,000
Premium	298,812	-	(156,540)	142,272	-
Series 2018A improvement:					
Serial bonds	106,625,000	-	(5,480,000)	101,145,000	1,205,000
Term bonds	42,455,000	-	-	42,455,000	-
Premium	17,870,094	-	(628,860)	17,241,234	-
Series 2018B improvement:					
Term bonds	<u>65,940,000</u>	<u>-</u>	<u>-</u>	<u>65,940,000</u>	<u>-</u>
Total general obligation bonds	<u>241,513,906</u>	<u>-</u>	<u>(9,040,400)</u>	<u>232,473,506</u>	<u>4,095,000</u>
<u>Notes payable:</u>					
Series 2016 tax anticipation	<u>1,535,000</u>	<u>-</u>	<u>(760,000)</u>	<u>775,000</u>	<u>775,000</u>
Total notes payable	<u>1,535,000</u>	<u>-</u>	<u>(760,000)</u>	<u>775,000</u>	<u>775,000</u>
<u>Net pension liability:</u>					
STRS	90,823,773	10,273,319	-	101,097,092	-
SERS	<u>20,261,581</u>	<u>1,831,946</u>	<u>-</u>	<u>22,093,527</u>	<u>-</u>
Total net pension liability	<u>111,085,354</u>	<u>12,105,265</u>	<u>-</u>	<u>123,190,619</u>	<u>-</u>
<u>Net OPEB liability:</u>					
SERS	<u>8,728,068</u>	<u>-</u>	<u>(1,174,636)</u>	<u>7,553,432</u>	<u>-</u>
Total net OPEB liability	<u>8,728,068</u>	<u>-</u>	<u>(1,174,636)</u>	<u>7,553,432</u>	<u>-</u>
<u>Other long-term obligations:</u>					
Capital lease	1,388,600	-	(694,300)	694,300	694,300
Compensated absences	<u>7,447,127</u>	<u>2,142,864</u>	<u>(1,334,052)</u>	<u>8,255,939</u>	<u>1,951,614</u>
Total other long-term obligations	<u>8,835,727</u>	<u>2,142,864</u>	<u>(2,028,352)</u>	<u>8,950,239</u>	<u>2,645,914</u>
Total governmental activities	<u>\$ 371,698,055</u>	<u>\$ 14,248,129</u>	<u>\$ (13,003,388)</u>	<u>\$ 372,942,796</u>	<u>\$ 7,515,914</u>

General Obligation Bonds and Notes

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

Series 2013 Refunding Bonds

On May 14, 2013, the District issued \$19,220,000 in taxable refunding bonds (Series 2013 Refunding Bonds) to refund the callable portions of the Series 2005 refunding bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from 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, 2021

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue was comprised of current interest bonds, par value \$19,220,000. The interest rates on the current interest bonds range from 0.25 to 5.125 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,188,963. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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.

The current interest bonds bear interest rates ranging from 3.00 percent to 5.00 percent and are scheduled to mature on December 1, 2048.

Mandatory Sinking Fund Redemption - The Series 2018A 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:

Year	Principal Amount to be Redeemed
2043	\$ 6,240,000
2044	6,555,000
2045	6,880,000
2046	7,225,000
2047	7,590,000

The remaining principal amount of the Series 2018A term bonds (\$7,965,000) will mature on December 1, 2048.

Optional Redemption - The Series 2018A serial bonds maturing after December 1, 2027 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, 2027, 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The current term bonds bear an interest rate of 4.074% and to mature on December 1, 2055.

Mandatory Sinking Fund Redemption - The Series 2018B term bonds maturing on December 1, 2055 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>
2049	\$ 8,335,000
2050	8,675,000
2051	9,025,000
2052	9,390,000
2053	9,770,000
2054	10,165,000

The remaining principal amount of the Series 2018B term bonds (\$10,580,000) will mature on December 1, 2055.

Series 2016 Tax Anticipation Notes

On May 3, 2016, the District issued tax anticipation notes in the amount of \$4,500,000. The notes have a fixed interest rate of 1.39 percent and a maturity date of December 1, 2021. The District has an option to redeem such notes on or after December 1, 2019. The proceeds are to be used various permanent improvements. The tax anticipation notes are capital related and long-term in nature and therefore are reported as a long-term obligation of the governmental activities. The notes bear an interest rate of 1.39 percent and mature on December 1, 2021. Interest payments are due June 1 and December 1 of each year. The following is a schedule of the future debt service requirement on the note obligation, in which payments will be made from the debt service fund:

<u>Fiscal Year Ended</u>	<u>Tax Anticipation Note Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 775,000	\$ 5,386	\$ 780,386
Total	<u>\$ 775,000</u>	<u>\$ 5,386</u>	<u>\$ 780,386</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021, follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 4,095,000	\$ 9,491,672	\$ 13,586,672
2023	4,290,000	9,298,458	13,588,458
2024	4,505,000	9,076,921	13,581,921
2025	5,160,000	8,835,296	13,995,296
2026	5,370,000	8,572,045	13,942,045
2027 - 2031	24,965,000	38,774,003	63,739,003
2032 - 2036	20,845,000	33,952,077	54,797,077
2037 - 2041	25,695,000	29,049,628	54,744,628
2042 - 2046	31,445,000	23,077,502	54,522,502
2047 - 2051	39,790,000	14,491,417	54,281,417
2052 - 2056	48,930,000	5,141,794	54,071,794
Total	<u>\$ 215,090,000</u>	<u>\$ 189,760,813</u>	<u>\$ 404,850,813</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.

Capital Lease Obligations

See Note 8 for information on the District's capital lease obligations.

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, 2021, are a voted debt margin of \$5,280,705 (including available funds of \$12,306,939) and an unvoted debt margin of \$2,311,820.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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.

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, 2020	\$ -
Current year set-aside requirement	1,072,314
Current year offsets	<u>(1,072,314)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u>\$ -</u>

NOTE 11 - INTERFUND TRANSACTIONS

A. Due to/from balances consisted of the following at June 30, 2021, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 390</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, 2021, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 1,464,853</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

C. Interfund transfers for the fiscal year ended June 30, 2021, 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	\$ 908,574
Nonmajor governmental funds	Debt service fund	776,055
		<u>\$ 1,684,629</u>

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. The transfer from the permanent improvement fund (a nonmajor governmental fund) to the debt service fund was to move tax anticipation note principal and interest to the debt service fund for the payment on the debt.

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. Interfund transfers between governmental funds and enterprise funds are reported 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 2021, 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 \$177 million. Property and fleet insurance is provided by an independent insurance provider and property holds a \$5,000 deductible and the bus fleet and maintenance vehicles have a \$1,000 deductible and a \$1,000,000 limit per occurrence. A \$250,000 employee dishonesty blanket bond is also included for all employees.

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

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 2021 was .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 \$206,074 was recorded at June 30, 2021. 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, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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</u>	<u>Ending Balance</u>
2021	\$ 171,766	\$ 129,942	\$ (95,634)	\$ 206,074
2020	102,742	241,859	(172,835)	171,766
2019	13,491	186,420	(97,169)	102,742

C. Employee Health Insurance

Effective January 1, 2014, all enrolled employees are covered under the District's self-insurance plan for health insurance, which is accounted for in the General Fund. The District pays various percentages of premium contributions based on employee classification. These costs are allocated to the fund that pays the salary of the enrolled employee and are accounted for as expenditures in the paying funds and charges for services in the General Fund. The claims liability of \$500,000 at June 30, 2021, 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, 2021.

The District purchases excess stop-loss insurance for medical claims exceeding \$150,000 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, Mansfield City, Upper Arlington City, Westerville City, and Worthington City. Future membership is open to any public school district in the state of Ohio upon approval by a majority of all current members of the Governing Board. Members may withdraw at any time of an 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 the Treasurer of each of the founding member Districts, for an initial term expiring June 30, 2021. At that point, an election of Governing board representatives will be held and be open to any member District's Treasurer. Additional information regarding COSSO can be obtained by contacting COSSO, 200 East Wilson Bridge Road, Worthington, Ohio 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>
2021	\$ 694,000	\$ 8,333,405	\$ (8,527,405)	\$ 500,000
2020	818,000	10,328,127	(10,452,127)	694,000
2019	593,000	11,268,650	(11,043,650)	818,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - RISK MANAGEMENT - (Continued)

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. A claims liability of \$53,012 was recorded at June 30, 2021. 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 reserve required at year-end. This liability is included in the "Accounts Payable" amounts on the Statement of Net Position at June 30, 2021.

Changes in the balances of claims liabilities during the past two 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>
2021	\$ 4,750	\$ 76,354	\$ (28,092)	\$ 53,012
2020	-	5,673	(923)	4,750

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, 2021, 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 a 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. On November 12, 2021, ODE's adjustment to the District's foundation funding resulted in the District paying \$52,670. This is immaterial to the District and was not posted to the Financial Statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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 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.

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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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.

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.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$1,549,511 for fiscal year 2021. Of this amount, \$37,006 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$7,398,457 for fiscal year 2021. Of this amount, \$1,096,512 is reported as an intergovernmental payable.

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, 2020, 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 projected 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, 2021

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	0.33864260%	0.41069971%	
Proportion of the net pension liability current measurement date	<u>0.33403120%</u>	<u>0.41781801%</u>	
Change in proportionate share	<u>-0.00461140%</u>	<u>0.00711830%</u>	
Proportionate share of the net pension liability	\$ 22,093,527	\$ 101,097,092	\$ 123,190,619
Pension expense	\$ 2,546,940	\$ 13,390,245	\$ 15,937,185

At June 30, 2021, 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	\$ 42,915	\$ 226,837	\$ 269,752
Net difference between projected and actual earnings on pension plan investments	1,402,493	4,916,366	6,318,859
Changes of assumptions	-	5,426,962	5,426,962
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	15,393	2,487,278	2,502,671
Contributions subsequent to the measurement date	<u>1,549,511</u>	<u>7,398,457</u>	<u>8,947,968</u>
Total deferred outflows of resources	<u>\$ 3,010,312</u>	<u>\$ 20,455,900</u>	<u>\$ 23,466,212</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 646,448	\$ 646,448
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>166,714</u>	<u>287,361</u>	<u>454,075</u>
Total deferred inflows of resources	<u>\$ 166,714</u>	<u>\$ 933,809</u>	<u>\$ 1,100,523</u>

\$8,947,968 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, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (90,957)	\$ 3,869,519	\$ 3,778,562
2023	361,355	2,422,969	2,784,324
2024	584,587	3,341,113	3,925,700
2025	439,102	2,490,033	2,929,135
Total	\$ 1,294,087	\$ 12,123,634	\$ 13,417,721

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investment expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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 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 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 30,265,435	\$ 22,093,527	\$ 15,237,142

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 July 1, 2020, actuarial valuation are presented below:

	July 1, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio’s 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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 143,944,658	\$ 101,097,092	\$ 64,787,348

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 Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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, 2021, 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 2021, this amount was \$23,000. 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 2021, the District's surcharge obligation was \$212,085.

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 \$212,085 for fiscal year 2021. Of this amount, \$212,085 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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, 2020, 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	0.34706950%	0.41069971%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.34755150%</u>	<u>0.41781801%</u>	
Change in proportionate share	<u>0.00048200%</u>	<u>0.00711830%</u>	
Proportionate share of the net OPEB liability	\$ 7,553,432	\$ -	\$ 7,553,432
Proportionate share of the net OPEB asset	\$ -	\$ (7,343,149)	\$ (7,343,149)
OPEB expense	\$ 50,401	\$ (414,509)	\$ (364,108)

At June 30, 2021, 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	\$ 99,205	\$ 470,519	\$ 569,724
Net difference between projected and actual earnings on OPEB plan investments	85,111	257,353	342,464
Changes of assumptions	1,287,598	121,215	1,408,813
Difference between employer contributions and proportionate share of contributions/change in proportionate share	455,133	244,485	699,618
Contributions subsequent to the measurement date	<u>212,085</u>	<u>-</u>	<u>212,085</u>
Total deferred outflows of resources	<u>\$ 2,139,132</u>	<u>\$ 1,093,572</u>	<u>\$ 3,232,704</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 3,841,448	\$ 1,462,651	\$ 5,304,099
Net difference between projected and actual earnings on OPEB plan investments			-
Changes of assumptions	190,252	6,974,760	7,165,012
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>32,045</u>	<u>110,876</u>	<u>142,921</u>
Total deferred inflows of resources	<u>\$ 4,063,745</u>	<u>\$ 8,548,287</u>	<u>\$ 12,612,032</u>

\$212,085 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, 2022.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	\$ (395,452)	\$ (1,874,100)	\$ (2,269,552)
2023	(389,296)	(1,699,907)	(2,089,203)
2024	(390,297)	(1,638,796)	(2,029,093)
2025	(441,755)	(1,564,083)	(2,005,838)
2026	(380,079)	(324,649)	(704,728)
Thereafter	<u>(139,819)</u>	<u>(353,180)</u>	<u>(492,999)</u>
Total	<u>\$ (2,136,698)</u>	<u>\$ (7,454,715)</u>	<u>\$ (9,591,413)</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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2020 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63%
Prior measurement date	3.22%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 9,245,213	\$ 7,553,432

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 5,947,753	\$ 7,553,432

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, 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	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

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

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

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2019.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 15 - DEFINED BENEFIT OPEB 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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' 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 asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

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, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) 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	\$ 6,389,014	\$ 7,343,149	\$ 8,152,691

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 8,102,440	\$ 7,343,149	\$ 6,418,211

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 16 - 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	\$ 1,401,909
Building	34,782,085
Nonmajor governmental	<u>8,334,426</u>
Total	<u>\$ 44,518,420</u>

B. Contractual Commitments

As a result of projects that were in progress at June 30, 2021, the District had the following outstanding contractual commitments at fiscal year-end:

	<u>Contract Amount</u>	<u>Expenditures incurred as of June 30, 2021</u>	<u>Amount Remaining on Contract</u>
Barrington Elementary	\$ 27,215,000	\$ 25,302,281	\$ 1,912,719
Windemere Elementary	21,891,000	16,800,259	5,090,741
High School	111,433,000	90,778,592	20,654,408
District	<u>2,731,000</u>	<u>561,614</u>	<u>2,169,386</u>
Total	<u>\$ 163,270,000</u>	<u>\$ 133,442,746</u>	<u>\$ 29,827,254</u>

NOTE 17 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the pension and other employee benefits plan in which the District participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During fiscal year 2021, the District received \$281,574 in CARES Act funding and \$291,934 in Elementary and Secondary School Emergency Relief (ESSER) funding. These amounts are reported in the Coronavirus Relief fund (a nonmajor governmental fund) and ESSER fund (a nonmajor governmental fund), respectively.

NOTE 18 - SUBSEQUENT EVENT

For fiscal year 2022, District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship funding, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the respective educating school. For fiscal year 2021, the District reported \$1,276,819 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each District. The District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 79,658,729	\$ 82,290,000	\$ 82,333,107	\$ 43,107
Payments in lieu of taxes.	1,800,000	1,957,000	1,982,579	25,579
Tuition.	84,193	116,000	122,713	6,713
Earnings on investments	995,120	757,100	711,565	(45,535)
Extracurricular.	208,679	200,000	200,885	885
Rental income	119,707	43,000	43,812	812
Other local revenues	58,627	166,000	203,647	37,647
Intergovernmental - state	11,048,400	13,134,561	13,252,386	117,825
Intergovernmental - federal	-	-	5,834	5,834
Total revenues	93,973,455	98,663,661	98,856,528	192,867
Expenditures:				
Current:				
Instruction:				
Regular	49,187,021	48,922,279	48,044,402	877,877
Special.	14,211,919	14,277,654	13,921,947	355,707
Vocational.	242,300	242,300	195,236	47,064
Student intervention services.	2,347,974	2,257,353	2,253,476	3,877
Support services:				
Pupil.	8,033,434	7,871,002	7,636,446	234,556
Instructional staff	5,546,398	5,250,388	5,110,948	139,440
Board of education	48,458	51,168	36,820	14,348
Administration.	7,118,947	7,145,515	7,095,829	49,686
Fiscal	2,441,930	2,397,679	2,357,050	40,629
Business	829,370	790,122	742,213	47,909
Operations and maintenance.	8,106,042	7,840,844	7,657,572	183,272
Pupil transportation	2,023,056	1,944,366	1,921,366	23,000
Central.	1,675,182	1,536,047	1,478,824	57,223
General administration	36,544	57,638	57,577	61
Extracurricular activities.	1,284,605	1,503,800	1,484,856	18,944
Facilities acquisition and construction	-	19,100	6,060	13,040
Total expenditures	103,133,180	102,107,255	100,000,622	2,106,633
Excess of revenues (under) expenditures . . .	(9,159,725)	(3,443,594)	(1,144,094)	2,299,500
Other financing sources (uses):				
Transfers (out).	(425,000)	(1,658,575)	(1,658,574)	1
Advances in.	2,200,000	2,200,000	2,213,415	13,415
Advances (out)	(100,000)	(1,500,000)	(1,464,853)	35,147
Refund of prior year's expenditures	20,000	13,000	13,007	7
Total other financing sources (uses)	1,695,000	(945,575)	(897,005)	48,570
Net change in fund balance	(7,464,725)	(4,389,169)	(2,041,099)	2,348,070
Fund balance at beginning of year	49,848,900	49,848,900	49,848,900	-
Prior year encumbrances appropriated . . .	1,281,308	1,281,308	1,281,308	-
Fund balance at end of year	\$ 43,665,483	\$ 46,741,039	\$ 49,089,109	\$ 2,348,070

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

NOTES TO THE BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

A. BUDGETARY INFORMATION

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

(1) 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 2021 permanent appropriation measure at its September 15, 2020 regular meeting. The Board of Education adopted at the June 24, 2020 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

B. RECONCILING BUDGETARY BASIS TO GAAP BASIS

While reporting financial position and changes in financial position/fund balance on the basis of accounting principals generally accepted in the United States of America (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 BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The adjustments necessary to convert the changes in financial position/fund balance for the year on the budget basis to the GAAP basis for the general fund are as follows:

Net Change in Fund Balance

Budget basis	\$ (2,041,099)
Net adjustment for revenue accruals	27,385,642
Net adjustment for expenditure accruals	(1,088,141)
Net adjustment for other sources/uses	(761,569)
Funds budgeted elsewhere	2,971,552
Adjustment for encumbrances	1,501,396
GAAP basis	<u>\$ 27,967,781</u>

Certain funds that are legally budgeted as separate 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, and the employee benefits fund.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.33403120%	0.33864260%	0.33713290%	0.31068190%
District's proportionate share of the net pension liability	\$ 22,093,527	\$ 20,261,581	\$ 19,308,226	\$ 18,562,557
District's covered payroll	\$ 11,734,600	\$ 11,627,215	\$ 10,910,578	\$ 10,372,829
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.28%	174.26%	176.97%	178.95%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.32978190%	0.34206810%	0.36270800%	0.36270800%
\$ 24,136,992	\$ 19,518,737	\$ 18,356,445	\$ 21,569,081
\$ 10,255,307	\$ 10,229,901	\$ 10,539,531	\$ 10,596,026
235.36%	190.80%	174.17%	203.56%
62.98%	69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.41781801%	0.41069971%	0.40170537%	0.39365045%
District's proportionate share of the net pension liability	\$ 101,097,092	\$ 90,823,773	\$ 88,325,991	\$ 93,512,508
District's covered payroll	\$ 50,878,836	\$ 48,524,721	\$ 45,948,064	\$ 43,493,493
District's proportionate share of the net pension liability as a percentage of its covered payroll	198.70%	187.17%	192.23%	215.00%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

2017	2016	2015	2014
0.39848791%	0.39668515%	0.39700000%	0.39700000%
\$ 133,385,915	\$ 109,632,172	\$ 96,563,911	\$ 115,023,848
\$ 41,974,264	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323
317.78%	264.89%	238.06%	250.68%
66.80%	72.10%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,549,511	\$ 1,642,844	\$ 1,569,674	\$ 1,472,928
Contributions in relation to the contractually required contribution	<u>(1,549,511)</u>	<u>(1,642,844)</u>	<u>(1,569,674)</u>	<u>(1,472,928)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,067,936	\$ 11,734,600	\$ 11,627,215	\$ 10,910,578
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,452,196	\$ 1,435,743	\$ 1,357,527	\$ 1,460,779	\$ 1,466,490	\$ 1,451,961
<u>(1,452,196)</u>	<u>(1,435,743)</u>	<u>(1,357,527)</u>	<u>(1,460,779)</u>	<u>(1,466,490)</u>	<u>(1,451,961)</u>
<u>\$ -</u>					
\$ 10,372,829	\$ 10,255,307	\$ 10,299,901	\$ 10,539,531	\$ 10,596,026	\$ 10,795,249
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 7,398,457	\$ 7,123,037	\$ 6,793,461	\$ 6,432,729
Contributions in relation to the contractually required contribution	<u>(7,398,457)</u>	<u>(7,123,037)</u>	<u>(6,793,461)</u>	<u>(6,432,729)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 52,846,121	\$ 50,878,836	\$ 48,524,721	\$ 45,948,064
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 6,089,089	\$ 5,876,397	\$ 5,794,243	\$ 5,273,104	\$ 5,965,092	\$ 5,828,724
<u>(6,089,089)</u>	<u>(5,876,397)</u>	<u>(5,794,243)</u>	<u>(5,273,104)</u>	<u>(5,965,092)</u>	<u>(5,828,724)</u>
<u>\$ -</u>					
\$ 43,493,493	\$ 41,974,264	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323	\$ 44,836,338
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.34755150%	0.34706950%	0.34122410%	0.31558180%
District's proportionate share of the net OPEB liability	\$ 7,553,432	\$ 8,728,068	\$ 9,466,478	\$ 8,469,386
District's covered payroll	\$ 11,734,600	\$ 11,627,215	\$ 10,910,578	\$ 10,372,829
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	64.37%	75.07%	86.76%	81.65%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

2017

0.33185322%

\$ 9,459,044

\$ 10,255,307

92.24%

11.49%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability/asset	0.41781801%	0.41069971%	0.40170537%	0.39365045%
District's proportionate share of the net OPEB liability/(asset)	\$ (7,343,149)	\$ (6,802,171)	\$ (6,454,995)	\$ 15,358,788
District's covered payroll	\$ 50,878,836	\$ 48,524,721	\$ 45,948,064	\$ 43,493,493
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.43%	14.02%	14.05%	35.31%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

2017

0.39848791%

\$ 21,311,237

\$ 41,974,264

50.77%

37.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 212,085	\$ 227,664	\$ 269,800	\$ 234,088
Contributions in relation to the contractually required contribution	<u>(212,085)</u>	<u>(227,664)</u>	<u>(269,800)</u>	<u>(234,088)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,067,936	\$ 11,734,600	\$ 11,627,215	\$ 10,910,578
Contributions as a percentage of covered payroll	1.92%	1.94%	2.32%	2.15%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 173,440	\$ 75,899	\$ 76,219	\$ 94,855	\$ 94,274	\$ 134,825
<u>(173,440)</u>	<u>(75,899)</u>	<u>(76,219)</u>	<u>(94,855)</u>	<u>(94,274)</u>	<u>(134,825)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,372,829	\$ 10,255,307	\$ 10,299,901	\$ 10,539,531	\$ 10,596,026	\$ 10,795,249
1.67%	0.74%	0.74%	0.90%	0.89%	1.25%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 52,846,121	\$ 50,878,836	\$ 48,524,721	\$ 45,948,064
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ 417,739	\$ 426,078	\$ 416,337
-	-	-	(417,739)	(426,078)	(416,337)
<u>\$ -</u>					
\$ 43,493,493	\$ 41,974,264	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323	\$ 44,836,338
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. 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%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. 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 years 2018-2021.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. 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 years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. 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 years 2019-2021.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2021.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes 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%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes 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.

Changes 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 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR	Federal	
<i>Pass Through Grantor</i>	AL	Total Federal
Program / Cluster Title	Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Donation)	10.555	\$ 56,637
Cash Assistance:		
COVID-19 School Breakfast Program	10.553	9,904
School Breakfast Program	10.553	55,042
National School Lunch Program	10.555	549,969
COVID-19 National School Lunch Program	10.555	29,112
Total Child Nutrition Cluster		<u>700,664</u>
Total U.S. Department of Agriculture		<u>700,664</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	307,132
Special Education Cluster:		
Special Education Grants to States	84.027	1,580,395
Special Education Preschool Grants	84.173	27,554
Total Special Education Cluster		<u>1,607,949</u>
English Language Acquisition State Grants	84.365	23,954
Improving Teacher Quality State Grants	84.367	58,987
Student Support and Academic Enrichment Program	84.424	27,209
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	516,973
COVID-19 Coronavirus Relief Fund	21.019	<u>281,574</u>
Total U.S. Department of Education		<u>2,823,778</u>
Total Expenditures of Federal Awards		<u>\$ 3,524,442</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, 2021**

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, 2021. 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 or changes in net position 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 Government assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at fair 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



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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 auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures that may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2021

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 the Major Federal Programs

We have audited the Upper Arlington City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Upper Arlington City School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Programs

In our opinion, Upper Arlington City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2021

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

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 for all major programs
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster AL #84.027 & 84.173 Coronavirus Relief Fund AL #21.019
(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 12/28/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov