



Dave Yost • Auditor of State

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2017

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

As management of the Upper Arlington City School District (the District), we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

Financial Highlights

The District's net position was (\$16,158,219) as of June 30, 2017 according to the Statement of Net Position. This represents a decrease of \$70,000 or 0.4% from last year's net position of (\$16,088,219).

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

The General Fund reported a positive fund balance of \$68,250,552. However, included within this balance is approximately \$30.7 million in tax revenues intended to finance next year's operations. Under accrual accounting, monies certified as being available for advance by the County Auditor, as of fiscal year end, are recognized as revenues within that fiscal year. On a budgetary basis, these monies are intended to finance the following year.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

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

These two statements report the District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Fund

Fund Financial Statements

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017, CONTINUED
(UNAUDITED)**

Governmental Funds

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

Fiduciary Funds

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets (including deferred outflows) were less than liabilities (including deferred inflows) by (\$16,158,219) according to the Statement of Net Position at the close of the most recent fiscal year. The negative net position is solely attributed to the net pension liability (including related deferred inflows and outflows of resources) in the amount of \$130,357,890.

A comparative analysis of fiscal year 2017 to 2016 follows from the Statements of Net Position:

	Net Position	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 140,099,332	\$ 136,110,603
Capital assets	<u>60,380,571</u>	<u>59,084,462</u>
Total assets	<u>200,479,903</u>	<u>195,195,065</u>
Deferred outflows	<u>29,085,108</u>	<u>13,613,194</u>
Current liabilities	11,587,518	10,062,596
Long-term liabilities	<u>187,643,814</u>	<u>163,670,423</u>
Total liabilities	<u>199,231,332</u>	<u>173,733,019</u>
Deferred inflows	<u>46,491,898</u>	<u>51,163,459</u>
Net Position:		
Net investment in		
capital assets	37,590,246	36,477,525
Restricted	13,571,992	11,646,685
Unrestricted	<u>(67,320,457)</u>	<u>(64,212,429)</u>
Total net position	<u>\$ (16,158,219)</u>	<u>\$ (16,088,219)</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017, CONTINUED
(UNAUDITED)**

Analysis of Net Position

Total net position decreased \$70,000, and remained at a deficit net position of \$16.2 million. Net Pension Liability increased \$28.4 million. This liability represents the District's share, as calculated per GASB 68, of the two state retirement systems' present value of estimated future pension benefits less the assets available to pay those benefits. This will fluctuate annually based on a number of factors including investment returns, actuarial assumptions used, and the District's proportionate share of the Net Pension Cost. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension. The result would be a positive net position in 2017 of \$114,199,671.

One of the other largest portions of the District's net position of \$37.6, million reflects its net investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Position
Governmental Activities

Program revenues:	<u>2017</u>	<u>2016</u>
Charges for services and sales	\$ 6,222,665	\$ 5,323,578
Operating grants and contributions	3,016,316	2,914,092
General revenues:		
Property taxes	77,504,079	75,747,136
Payment in lieu of taxes (PILOT)	1,246,687	1,436,430
Grants and entitlements not restricted to specific programs	13,905,493	13,798,788
Investment earnings	477,228	527,965
Miscellaneous	<u>5,031,821</u>	<u>3,933,218</u>
Total revenues	<u>107,404,289</u>	<u>103,681,207</u>
Program expenses:		
Instructional services	64,976,104	53,725,043
Support services	33,258,942	28,591,358
Extracurricular student activities	2,895,650	2,633,609
Food service operations	1,772,788	1,475,411
Community services	3,859,606	3,281,202
Interest on long-term debt	<u>711,199</u>	<u>705,386</u>
Total expenses	<u>107,474,289</u>	<u>90,412,009</u>
Change in net position	(70,000)	13,269,198
Net position at the beginning of the year	<u>(16,088,219)</u>	<u>(29,357,417)</u>
Net position at end of year	<u>\$ (16,158,219)</u>	<u>\$ (16,088,219)</u>

Governmental Activities

In 2017, net position of the District's governmental activities decreased by \$70,000. This decrease is primarily a result of the increase in net pension cost over last year by approximately \$7.3 million. Other than pension cost, revenues continuing to outpace other operating expenses. Overall net entity-wide cash increased by approximately \$3.0 million.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017, CONTINUED
(UNAUDITED)**

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

<u>Programs</u>	<u>2017</u>		<u>2016</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Instructional services	\$ 64,976,104	\$ 63,166,839	\$ 53,725,043	\$ 52,069,366
Support services	33,258,942	32,836,342	28,591,358	28,191,694
Extracurricular student activities	2,895,650	1,377,913	2,633,609	1,505,549
Food service operations	1,772,788	147,176	1,475,411	(6,321)
Community services	3,859,606	(4,161)	3,281,202	(291,335)
Interest on long-term debt	<u>711,199</u>	<u>711,199</u>	<u>705,386</u>	<u>705,386</u>
Total	<u>\$ 107,474,289</u>	<u>\$ 98,235,308</u>	<u>\$ 90,412,009</u>	<u>\$ 82,174,339</u>

Local property taxes and related PILOT revenues make up 73.3% of total revenues for governmental activities. The net cost of service column reflects the need for \$98,235,308 of support indicating the reliance on general revenues to support governmental activities.

The District's Funds

The District's governmental funds reported a combined fund balance of \$81,446,201, which represents an increase of \$949,343 as compared to last year's total of \$80,496,858 according to the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The schedule below shows the fund balances and the total change in fund balances from June 30, 2017 to 2016.

	<u>Fund Balance at June 30, 2017</u>	<u>Fund Balance at June 30, 2016</u>	<u>Increase</u>
General Fund	\$ 68,250,552	\$ 64,502,374	\$ 3,748,178
Other Governmental Funds	<u>13,195,649</u>	<u>15,994,484</u>	<u>(2,798,835)</u>
Total	<u>\$ 81,446,201</u>	<u>\$ 80,496,858</u>	<u>\$ 949,343</u>

General Fund

The District's General Fund balance increase is a result of revenues continuing to outpace expenses due to the District continuing to focus on maintaining expenses.

Other Governmental Funds

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds decreased by \$2,798,835. The decrease is primarily related to the District spending down the proceeds from the issuance of \$4.5 million tax anticipate notes issued in fiscal year 2016.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017, CONTINUED
(UNAUDITED)**

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

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Property taxes	\$ 71,010,141	\$ 70,994,059	0.02%
Payments in lieu of taxes	1,246,687	1,436,430	-13.21%
Intergovernmental	13,208,644	13,184,381	0.18%
Investment income	461,687	526,507	-12.31%
Other revenue	5,137,221	3,933,582	30.60%
Total	<u>\$ 91,064,380</u>	<u>\$ 90,074,959</u>	1.10%

As the table below indicates, the largest portion of General Fund expenditures at 62.6% is for instructional services.

Expenditures by Function

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Instructional services	\$ 54,591,373	\$ 52,133,256	4.72%
Support services	30,247,054	28,872,636	4.76%
Co-curricular student activities	1,705,195	1,666,304	2.33%
Capital outlay	19,770	5,045,476	-99.61%
Debt service	674,460	-	100.00%
Total	<u>\$ 87,237,852</u>	<u>\$ 87,717,672</u>	-0.55%

Total General Fund expenditures decreased by 0.55 % over the prior year. This decrease is due to the inception of capital lease obligation for various instructional computer equipment as denoted by the \$5 million in capital outlay in fiscal year 2016. Absence transactions related to such lease in both fiscal year 2017 (debt service) and 2016, expenditures increased 4.7%.

General Fund Budget Information

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

During the course of fiscal year 2017, the District amended its General Fund budget numerous times. For the General Fund, final budgeted revenues (certified revenues plus other financing sources) of \$87,758,578 were \$2,185,590 higher than the original budgeted revenues estimate of \$85,572,988. The actual budget basis revenues and other financing sources for fiscal year 2017 totaled \$87,781,630, which were \$23,052 higher than the final budget revenues.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$86,647,445 were decreased to \$85,054,452 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$84,858,439, which was \$196,013 less than the final budget appropriations.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017, CONTINUED
(UNAUDITED)**

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

- Revenues
The variance in revenues related to the final budget and actual amounts is less than 0.1%.
- Expenditures
Overall, the variance between actual expenditures and the final budget was less than 0.25% of the total budget which is acceptable to District management.

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

Capital Assets

At June 30, 2017, the District has \$60,380,571 in capital assets net of accumulated depreciation. The following table shows fiscal year 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land	\$ 629,783	\$ 629,783	\$ -
Construction in progress	4,177,583	2,983,900	1,193,683
Land improvements	3,306,997	3,124,500	182,497
Building and improvements	91,323,244	88,175,354	3,147,890
Furniture, fixtures and equipment	13,954,821	13,281,815	673,006
Vehicles	2,800,977	2,631,933	169,044
Less: Accumulated depreciation	(55,812,834)	(51,742,823)	(4,070,011)
Totals	<u>\$ 60,380,571</u>	<u>\$ 59,084,462</u>	<u>\$ 1,296,109</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017, CONTINUED
(UNAUDITED)**

Debt

On June 30, 2017, the District had \$20,573,215 in net long-term bonds and notes outstanding. The District paid \$3,050,000 in principal on bonds and notes outstanding.

On May 3, 2016, the District issued tax anticipation note 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.

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

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2017, the District's general obligation debt was below the legal limit.

Economic Factors

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

Contacting the District's Financial Management

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

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Equity in pooled cash & investments	\$ 61,127,823
Receivables	78,256,455
Due from other:	
Governments	490,352
Funds	-
Inventory	224,702
Deferred charges	-
Land and Construction in Progress	4,807,366
Depreciable capital assets, net of accumulated depreciation	55,573,205
TOTAL ASSETS	<u>200,479,903</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	809,017
Pension	28,276,091
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>29,085,108</u>
LIABILITIES:	
Accounts payable	2,554,936
Due to other governments	1,647,873
Accrued interest payable	53,899
Accrued liabilities	7,330,810
Long-term Liabilities:	
Due within one year	5,242,830
Due in more than one year:	
Net pension liability	157,522,907
Other amounts due in more than one year	24,878,077
TOTAL LIABILITIES	<u>199,231,332</u>
DEFERRED INFLOWS OF RESOURCES:	
Property taxes	45,380,824
Pension	1,111,074
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>46,491,898</u>
NET POSITION	
Net investment in capital assets	37,590,246
Restricted for:	
Debt Service	3,804,970
Capital Outlay	5,851,939
Food Services	27,085
Non-Public Schools	102,266
Special Education	301,764
Community Services	2,039,188
Student Activities	567,569
Other Purposes	877,211
Unrestricted	(67,320,457)
TOTAL NET POSITION	<u>\$ (16,158,219)</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Primary Government - Governmental Activities
Governmental Activities			
Instructional services:			
Regular	\$ 50,195,056	\$ 463,093	\$ -
Special	14,669,727	-	1,346,172
Vocational	111,321	-	-
Support services:			
Operation and maintenance of plant	7,276,032	-	-
School Administration	5,719,314	-	216,734
Pupils	6,448,255	21,004	43,649
Fiscal	2,146,319	-	-
Business Operations	585,809	-	-
Instructional staff	4,510,383	-	76,193
Student transportation	2,012,573	-	50,620
Central services	4,515,964	-	14,400
General Administration	44,293	-	-
Extracurricular student activities	2,895,650	1,517,737	-
Food Service operations	1,772,788	1,585,388	40,224
Community services	3,859,606	2,635,443	1,228,324
Interest on long-term debt	711,199	-	-
Total Governmental Activities	\$ 107,474,289	\$ 6,222,665	\$ 3,016,316
			\$ (98,235,308)
General revenues:			
Property taxes			77,504,079
Payment in lieu of taxes			1,246,687
Grants and entitlements not restricted to specific programs			13,905,493
Investment earnings			477,228
Miscellaneous			5,031,821
Total general revenues			98,165,308
Change in Net Position			(70,000)
Net Position Beginning of Year			(16,088,219)
Net Position End of Year			\$ (16,158,219)

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
ASSETS :			
Equity in pooled cash and investments	\$ 49,063,148	\$ 12,064,675	\$ 61,127,823
Receivables	72,499,811	5,756,644	78,256,455
Due from other:			
Governments	-	490,352	490,352
Funds	84,145	-	84,145
Interfund receivable	266	-	266
Inventory and Prepays	83,797	140,905	224,702
TOTAL ASSETS	<u>\$ 121,731,167</u>	<u>\$ 18,452,576</u>	<u>\$ 140,183,743</u>
LIABILITIES:			
Accounts payable	1,403,021	1,151,915	2,554,936
Due to other:			
Governments	1,563,205	84,668	1,647,873
Funds	-	84,145	84,145
Interfund payable	-	266	266
Accrued liabilities	7,109,141	221,669	7,330,810
TOTAL LIABILITIES	<u>10,075,367</u>	<u>1,542,663</u>	<u>11,618,030</u>
DEFERRED INFLOWS OF RESOURCES	43,405,248	3,714,264	47,119,512
FUND BALANCES:			
Nonspendable -			
Inventories/Prepays	83,797	140,905	224,702
Restricted for:			
Debt Service	-	3,804,147	3,804,147
Capital Outlay	-	5,798,663	5,798,663
Food Services	-	17,627	17,627
Non-Public Schools	-	102,266	102,266
Community Activities	-	2,141,637	2,141,637
Student Activities	-	445,750	445,750
Other Purposes	-	877,211	877,211
Medical insurance	3,304,443	-	3,304,443
Workers compensation	928,825	-	928,825
Assigned	588,413	-	588,413
Unassigned	63,345,074	(132,557)	63,212,517
TOTAL FUND BALANCES	<u>68,250,552</u>	<u>13,195,649</u>	<u>81,446,201</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 121,731,167</u>	<u>\$ 18,452,576</u>	<u>\$ 140,183,743</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Total Governmental Fund Balances	\$ 81,446,201
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	60,380,571
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	1,738,688
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	28,276,091
Deferred inflows - Pension	(1,111,074)
Net pension liability	(157,522,907)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable	(53,899)
Compensated absences	(6,521,565)
Bonds and Notes payable	(19,500,000)
Premium on bonds, net	(1,073,215)
Deferred amounts on refundings, net	809,017
Capital lease obligation	(3,026,127)
Net Position of Governmental Activities	<u>\$ (16,158,219)</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
Property taxes	\$ 71,010,141	\$ 5,646,070	\$ 76,656,211
Payments in lieu of taxes	1,246,687	-	1,246,687
Intergovernmental:			
Federal Restricted Grants-in-aid	102,804	1,751,761	1,854,565
State:			
Unrestricted Grants-in-aid	13,104,762	800,732	13,905,494
Restricted Grants-in-aid	1,078	1,130,138	1,131,216
Investment income	461,687	17,546	479,233
Charges for services	1,042,687	4,208,561	5,251,248
Co-curricular activities	202,249	736,707	938,956
Other	<u>3,892,285</u>	<u>1,169,992</u>	<u>5,062,277</u>
TOTAL REVENUES	<u>91,064,380</u>	<u>15,461,507</u>	<u>106,525,887</u>
EXPENDITURES:			
Current:			
Instructional services:			
Regular	42,027,197	223,511	42,250,708
Special	12,452,855	1,272,728	13,725,583
Vocational	<u>111,321</u>	<u>-</u>	<u>111,321</u>
TOTAL INSTRUCTIONAL SERVICES	<u>54,591,373</u>	<u>1,496,239</u>	<u>56,087,612</u>
Support services:			
Operation and maintenance of plant	6,656,859	53,428	6,710,287
School administration	5,119,999	219,584	5,339,583
Pupils	5,781,974	52,462	5,834,436
Fiscal	1,978,090	96,985	2,075,075
Business operations	544,985	-	544,985
Instructional staff	4,060,887	122,295	4,183,182
Student transportation	1,660,503	219,251	1,879,754
Central services	4,400,889	14,400	4,415,289
General administration	<u>42,868</u>	<u>-</u>	<u>42,868</u>
TOTAL SUPPORT SERVICES	<u>30,247,054</u>	<u>778,405</u>	<u>31,025,459</u>
Co-curricular student activities	1,705,195	1,043,540	2,748,735
Community services	-	3,705,311	3,705,311
Food service	-	1,667,752	1,667,752
Capital outlay	19,770	5,279,401	5,299,171
Debt service:			
Principal retirement	666,417	3,632,037	4,298,454
Interest	<u>8,043</u>	<u>736,007</u>	<u>744,050</u>
TOTAL EXPENDITURES	<u>87,237,852</u>	<u>18,338,692</u>	<u>105,576,544</u>
Excess (deficiency) of revenues over expenditures	3,826,528	(2,877,185)	949,343
OTHER FINANCING SOURCES (USES):			
Transfers in	-	885,587	885,587
Transfers out	<u>(78,350)</u>	<u>(807,237)</u>	<u>(885,587)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(78,350)</u>	<u>78,350</u>	<u>-</u>
Change in Fund Balances	3,748,178	(2,798,835)	949,343
FUND BALANCES AT BEGINNING OF YEAR	<u>64,502,374</u>	<u>15,994,484</u>	<u>80,496,858</u>
FUND BALANCE AT END OF YEAR	<u>\$ 68,250,552</u>	<u>\$ 13,195,649</u>	<u>\$ 81,446,201</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Changes in Fund Balances - Total Governmental Funds \$ 949,343

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 5,483,865	
Depreciation	<u>(4,173,304)</u>	1,310,561

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 878,402

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

Principal	4,298,454	4,298,454
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Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 7,541,285

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities (14,813,243)

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

Compensated absences	(253,201)
Loss on disposal of assets	(14,452)
Amortization, net	18,158
Interest expense	14,693

Change in Net Position of Governmental Activities \$ (70,000)

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

	AGENCY FUND
ASSETS:	
Equity in pooled cash and investments	\$252,561
Accounts receivable	752
TOTAL ASSETS	\$253,313
LIABILITIES:	
Accounts payable	\$3,995
Due to:	
Student Activities	249,201
Others	117
TOTAL LIABILITIES	\$253,313

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

1. Description of the School and Reporting Entity

The Upper Arlington City School District, Franklin County, Ohio (the District) was organized in 1918 and is a fiscally independent political subdivision of the State of Ohio, Franklin County, Ohio. The District is governed by a five-member Board of Education (the Board) elected by the citizens of Upper Arlington. The District is comprised of 8 schools and other buildings and departments that employ approximately 746 employees. Our student population is 5,751 students, excluding Community Schools' enrollment.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes.

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

JOINT VENTURE WITHOUT EQUITY INTEREST

Rockbridge Academy

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

Burbank Park

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

JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association (META)

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

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

The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly.

The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. Financial information can be obtained from David Varda, CFO, 100 Executive Drive, Marion, Ohio 43302.

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

2. Summary of Significant Accounting Policies

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

(A) Basis of Presentation

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

(B) Government-wide and fund financial statements

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

(C) Fund Accounting

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

Governmental Funds

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

The District reports the following *major* governmental fund:

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

Fiduciary Funds

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

Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(C) *Fund Accounting (Continued)*

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds. These funds are used to account for student managed activity programs and the Ohio High School Athletic Association activity. The District has not established any of the above trust funds.

(D) *Measurement focus*

The government-wide financial statements are reported using the *economic resources measurement focus*. All assets and 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.

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

Fiduciary funds are reported using the economic resources measurement focus.

(E) *Basis of Accounting*

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

Revenues – Exchange and Non-exchange Transactions

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(E) Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes (PILOTs), grants, entitlements, and donations. Revenue from property taxes and PILOTs are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(E) Basis of Accounting (Continued)

Expenditures/Expenses

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

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

(F) Budgetary Process

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

Tax Budget:

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

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

Estimated Resources:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(F) Budgetary Process (Continued)

Estimated Resources: (Continued)

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amounts in the budgetary schedule reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

Appropriations:

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

The amounts reported as the final budgeted amounts represent the final appropriations passed by the Board during the fiscal year.

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

Encumbrances:

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

Lapsing of Appropriations:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

(Continued)

2. Summary of Significant Accounting Policies (Continued)

(G) Cash and Investments

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2017. 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 City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$461,687, of which \$46,305 was assigned from other funds.

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

(H) Inventory

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

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

(I) Capital Assets and Depreciation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(I) *Capital Assets and Depreciation (Continued)*

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

All reported capital assets, with the exception of land 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:

Land improvements	20
Buildings and building improvements	15-50
Furniture fixtures, and equipment	3-20
Vehicles	8-15

(J) *Interfund Activity*

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

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

(K) *Compensated Absences*

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

District employees are granted vacation, personal leave, and sick leave in varying amounts. All leave will either be absorbed by time off from work, or with certain limitations, be paid to the employees when their employment ceases. Sick leave benefits are only paid upon retirement at the rate of 25% up to a maximum amount of days as determined by negotiated agreements with the two bargaining units and Board policy for all other employees. The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The noncurrent portion of the liability is not recorded. The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(K) *Compensated Absences* (Continued)

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

(M) *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide Statement of Net Position reports \$13,571,992 of restricted net position, of which none is restricted by enabling legislation.

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

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

(N) *Fund Balances*

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

(Continued)

2. Summary of Significant Accounting Policies (Continued)

(N) Fund Balances (Continued)

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

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

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

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

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

The District has a formal minimum fund balance policy. The policy requires the General Fund to maintain a fund balance equal to at least three months of operating expenses.

(O) Estimates

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

(P) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. At June 30, 2017 the District had no events which qualified as an extraordinary or special item.

(Q) Unamortized Bond Premium and Deferred Amounts on Refunding

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

(R) Restricted Assets

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

(S) Pensions

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

3. Change in Accounting Principles

For fiscal year 2017, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures" which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government's ability to raise resources in the future, by reporting (1) the government's own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not have an effect on the financial statements of the District (See Note 5).

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

4. Deposits and Investments (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

Interim monies may be invested in the following obligations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

4. Deposits and Investments (Continued)

7) Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched-to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2017, the District and public depositories complied with the provisions of these statutes.

At year-end, the carrying amount of all District deposits was \$9,528,778, exclusive of \$600 in cash on hand. The combined bank balance was \$9,622,386 of which \$6,969,477 was covered by FDIC insurance and \$2,652,909 was uninsured. Of the remaining uninsured bank balance, all was collateralized with eligible securities held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits are also collateralized with specific collateral held at the Federal Reserve Bank in the name of the District.

Investments:

As of June 30, 2017, the District had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$13,307,306	1
Commercial Paper	11,747,313	12 months or less
FHLB	3,966,335	Greater than 24 months
FHLMC	10,196,219	Greater than 24 months
FNMA	10,393,134	Greater than 24 months
FFCB	1,320,000	Greater than 24 months
Negotiable CD's	<u>920,699</u>	12 months or less
Total Investments	<u>\$51,851,006</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

4. Deposits and Investments (Continued)

Interest Rate Risk

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

Credit Risk

The District's investments in FHLB, FHLMC, & FNMA listed above were rated Aaa and AA+ by Moody's Investor Services and Standard and Poor's, respectively. The commercial paper was rated P1 and A1 by Moody's Investor Services and Standard and Poor's, respectively. Standard and Poor's has assigned STAROhio an AAAM money market rating.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's total investments, 22.7% are included in Commercial Paper, 7.7% in FHLBs, 19.7% in FHLMC, 2.5% in FFCB and 20.0% in FNMA, while 25.6% is in STAROhio and 1.8% is in negotiable certificates of deposits.

For fiscal year 2017, Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," was effective. These GASB pronouncements had no effect on beginning net position. Accordingly, the District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of June 30, 2017. All of the District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

5. Receivables and Deferred Inflows of Resources

Receivables at June 30, 2017, consist of the following:

Governmental activities:	Taxes	PILOT's	Interest	Other	Totals
General	\$ 71,341,000	\$ 902,496	\$ 164,792	\$ 91,523	\$ 72,499,811
Other governmental funds	5,730,000	-	-	26,644	5,756,644
Total Governmental Activities	\$ 77,071,000	\$ 902,496	\$ 164,792	\$ 118,167	\$ 78,256,455

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

5. Receivables and Deferred Inflows of Resources (Continued)

Deferred Inflows of resources at June 30, 2017, consist of the following:

Governmental activities:	Taxes	PILOT's	Intergovernmental Revenues	Totals
General	\$ 42,816,000	\$ 589,248	\$ -	\$ 43,405,248
Other governmental funds	3,412,500	-	301,764	3,714,264
Total Governmental Activities	\$ 46,228,500	\$ 589,248	\$ 301,764	\$ 47,119,512

The payments in lieu of taxes (PILOT's) are a result of various tax abatement arrangements in which the City of Upper Arlington or other entities have agreed to hold the District harmless for various tax sharing arrangements with Developers. In conjunction with the receivable and deferred amounts listed above, the District recorded revenue in the amounts of \$1,246,687 on the entity wide statement of activities.

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017, follows:

	Balance June 30, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
<u>Governmental Activities Cost</u>					
Land	\$ 629,783	\$ -	\$ -	\$ -	\$ 629,783
Construction in progress	2,983,900	4,141,092	-	(2,947,409)	4,177,583
Land improvements	3,124,500	153,257	-	29,240	3,306,997
Building and improvements	88,175,354	687,277	-	2,460,613	91,323,244
Furniture, fixtures and equipment	13,281,815	333,195	117,745	457,556	13,954,821
Vehicles	2,631,933	169,044	-	-	2,800,977
Total at cost	110,827,285	5,483,865	117,745	-	116,193,405
<u>Less accumulated depreciation</u>					
Land improvements	1,735,378	123,926	-	-	1,859,304
Building and improvements	41,549,426	1,818,538	-	-	43,367,964
Furniture, fixtures and equipment	6,720,154	2,076,374	103,293	-	8,693,235
Vehicles	1,737,865	154,466	-	-	1,892,331
Total accumulated depreciation	51,742,823	4,173,304	103,293	-	55,812,834
Capital assets, net	\$ 59,084,462	\$ 1,310,561	\$ 14,452	\$ -	\$ 60,380,571

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

6. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$3,504,070
Special	30,410
Support services:	
Pupils	74,793
Instructional staff	45,801
Administration	12,566
Operation and maintenance of plant	211,544
Student transportation	148,110
Extra-curricular activities	141,197
Community Service	448
Food service operations	4,365
	<hr/>
Total depreciation expense	<u>\$4,173,304</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

7. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2017, follows:

Debt Issuance	Issued	7/1/2016			6/30/2017	Due within
		Balance	Additions	Deletions	Balance	1 yr
2013 Refunding Issue Bonds	2013	\$ 18,050,000	\$ -	\$ (2,305,000)	\$ 15,745,000	\$ 2,375,000
Premium on Refunding Bonds	2013	<u>1,426,569</u>	<u>-</u>	<u>(353,354)</u>	<u>1,073,215</u>	<u>306,705</u>
Refunding Bonds Payable		<u>19,476,569</u>	<u>-</u>	<u>(2,658,354)</u>	<u>16,818,215</u>	<u>2,681,705</u>
Note payable	2016	4,500,000	-	(745,000)	3,755,000	730,000
Capital Lease	2016	<u>4,274,581</u>	<u>-</u>	<u>(1,248,454)</u>	<u>3,026,127</u>	<u>1,247,154</u>
Total long term debt		<u>28,251,150</u>	<u>-</u>	<u>(4,651,808)</u>	<u>23,599,342</u>	<u>4,658,859</u>
Net pension liability:						
STRS	N/A	109,632,172	23,753,743	-	133,385,915	-
SERS	N/A	<u>19,518,737</u>	<u>4,618,255</u>	<u>-</u>	<u>24,136,992</u>	<u>-</u>
		129,150,909	28,371,998	-	157,522,907	-
Compensated Absences	N/A	<u>6,268,364</u>	<u>816,508</u>	<u>(563,307)</u>	<u>6,521,565</u>	<u>583,971</u>
Total Long-Term Obligations		<u>\$ 163,670,423</u>	<u>\$ 29,188,506</u>	<u>\$ (4,121,964)</u>	<u>\$ 187,643,814</u>	<u>\$ 5,242,830</u>
Deferred outflows of resources						
Deferred Pension	N/A	(12,468,981)	(22,958,880)	7,151,770	(28,276,091)	
Deferred Amount on Refunding	2013	<u>(1,144,213)</u>	<u>-</u>	<u>335,196</u>	<u>(809,017)</u>	
Total deferred outflows of resources		<u>\$ (13,613,194)</u>	<u>\$ (22,958,880)</u>	<u>\$ 7,486,966</u>	<u>\$ (29,085,108)</u>	

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

7. Long-Term Obligations (Continued)

The annual maturities of the general obligation bonds (at par) as of June 30, 2017, and related interest payments are as follows:

Year ending June 30,	Interest rate (%)	Principal	Interest
2018	.25-5.125	\$ 2,375,000	\$ 634,919
2019	.25-5.125	2,450,000	574,044
2020	.25-5.125	2,595,000	460,169
2021	.25-5.125	2,775,000	338,059
2022	.25-5.125	2,890,000	208,576
2023	.25-5.125	2,660,000	68,162
Total		\$ 15,745,000	\$ 2,283,929

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. An exception to the 9% limit is provided in ORC 133.06(E). At June 30, 2017 the District's total net debt was 1.13% of the total assessed value of all property within the District.

8. Capital Lease Obligation

The District entered into a master lease agreement dated September 7, 2015, to finance various computer hardware. As part of this master agreement, the District entered into two separate agreements in the amounts of \$2,954,716 and \$2,069,716, dated September 7, 2015 and May 26, 2016, respectively. These agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the aforementioned present value of their future minimum lease payments as of the inception date. The assets are included in capital assets as furniture, fixtures, and equipment at the estimated fair value at the time of acquisition of \$5,024,432. Depreciation expense in fiscal 2017 was \$1,559,826. Accumulated depreciation was \$2,380,581 as of June 30, 2017.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

8. Capital Lease Obligation (Continued)

The annual maturities of the capital lease as of June 30, 2017, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2018	1.81-2.06	\$ 1,247,154	\$ 27,157
2019	1.81-2.06	1,258,624	15,687
2020	2.06	520,349	4,111
Total		<u>\$ 3,026,127</u>	<u>\$ 46,955</u>

9. Note Payable

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 annual maturities of the note as of June 30, 2017, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 730,000	\$ 47,121
2019	740,000	36,905
2020	750,000	26,549
2021	760,000	16,054
2022	775,000	5,386
Total	<u>\$ 3,755,000</u>	<u>\$ 132,015</u>

10. Defined Benefit Pension Plans

Net Pension Liability

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

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

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

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

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

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

School Employees Retirement System (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.0 percent. No amount was allocated to the Health Care Fund.

The District’s contractually required contributions to SERS was \$1,452,196 for fiscal year 2017.

State Teachers Retirement System

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

State Teachers Retirement System (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2015, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

State Teachers Retirement System (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contributions to STRS was \$6,089,089 for fiscal year 2017.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2017, three members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability - Prior Measurement Date	0.342068%	0.396999%	
Proportion of the Net Pension Liability - Current Measurement Date	0.329782%	0.398488%	
Change in Proportionate Share	<u>-0.012286%</u>	<u>0.001489%</u>	
Proportionate Share of the Net Pension Liability	\$24,136,992	\$133,385,915	\$157,522,907
Pension Expense	\$2,364,161	\$12,449,082	\$14,813,243

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

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

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$325,553	\$5,389,432	\$5,714,985
Changes of assumptions	1,611,276	-	\$1,611,276
Net difference between projected and actual earnings on pension plan investments	1,990,952	11,074,615	13,065,567
Changes in proportion and differences	-	342,978	342,978
District contributions subsequent to the measurement date	1,452,196	6,089,089	7,541,285
Total Deferred Outflows of Resources	\$5,379,977	\$22,896,114	\$28,276,091
Deferred Inflows of Resources			
proportionate share of contributions	\$ 1,058,679	\$ 52,395	\$ 1,111,074
Total Deferred Inflows of Resources	\$1,058,679	\$52,395	\$1,111,074

\$7,541,285 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$538,790	\$2,675,035	\$3,213,825
2019	537,359	2,675,036	3,212,395
2020	1,220,638	6,924,675	8,145,313
2021	572,315	4,479,884	5,052,199
Total	\$2,869,102	\$16,754,630	\$19,623,732

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – SERS (Continued)

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$31,955,873	\$24,136,992	\$17,592,263

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – STRS

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

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

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

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

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

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

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – STRS (Continued)

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

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

	1% Decrease (6.75%)	▼	Current Discount Rate (7.75%)	▼	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$177,259,043		\$133,385,915		\$96,376,346

Changes Between Measurement Date and Report Date

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

11. Post employment Benefits Other than Pension Benefits

School Employees Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

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

School Employees Retirement System (Continued)

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2017, the actuarially required allocation is .74%. The District's contributions for the years ended June 30, 2017, 2016 and 2015 were \$76,759, \$75,889, and \$76,219, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is .0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 exclusive of the surcharge amounts was \$0, for the last three fiscal years, respectively.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

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

School Employees Retirement System (Continued)

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

State Teachers Retirement System

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

Funding Policy –Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate employer contributions to the Health Care Stabilization Fund.

12. Joint Venture Without Equity Interest

Rockbridge Academy

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

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

Burbank Park

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

12. Joint Venture Without Equity Interest (Continued)

The Agreement shall exist until:

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

13. Property Taxes

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

Property taxes include amounts levied against all real, public utility property, and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property

taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes.

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

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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2017 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

13. Property Taxes (Continued)

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

Real Estate	\$	1,719,170,040
Public Utility		23,976,569
Total	\$	<u>1,743,146,609</u>

14. Contingent Liabilities

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

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula of the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the District.

15. Set-Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

		<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2016	\$	-
Current year set-aside requirement		1,002,732
Current year offsets		(3,214,428)
Qualifying disbursements		<u>(189,471)</u>
Total	\$	<u>(2,401,167)</u>
Balance carried forward to FY 2018	\$	<u>-</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

15. Set-Aside Calculations

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the Capital Acquisition Reserve. However, this amount may not be used to reduce the set-aside requirement for future fiscal years.

16. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017 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 \$179 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 and Business Manager.

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

On September 1, 2012 the District became self-insured in connection with a formalized risk management program in an effort to control claims and costs related to injured workers' compensation. The District pays into the self-insured fund, which is accounted for in the General Fund, a percentage of the covered employee's salary. The rate is fixed and determined annually based on claims experience. The rate for fiscal year 2017 was 0.24% 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 \$57,976 was recorded at June 30, 2017. 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, 2017.

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

	2017	2016	2015
Unpaid claims - July 1	\$ 50,700	\$ 67,319	\$ 77,919
Incurred claims	78,782	72,525	105,646
Payment of claims	<u>(71,506)</u>	<u>(89,144)</u>	<u>(116,246)</u>
Unpaid claims - June 30	<u>\$ 57,976</u>	<u>\$ 50,700</u>	<u>\$ 67,319</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

16. Risk Management (Continued)

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 \$661,000 at June 30, 2017, 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, 2017.

The District purchases excess stop-loss insurance for medical claims exceeding \$150,000 per covered person. Prior to January 1, 2017 the District purchased this directly from Athem. Effective January 1, 2017, the District joined the Central Ohio School Stop Loss Organization (COSSO) Regional Council of Governments consortium. COSSO was formed pursuant to Ohio Revised Code Section 167 and enables the District to take advantage of economies of scale to purchase excess reinsurance.

Members currently consist of the school districts of Dublin City, Upper Arlington City, Westerville City, 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, 2020. 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, OH 43085

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

	2017	2016	2015
Unpaid claims - July 1	\$ 751,915	\$ 1,270,000	\$ 722,994
Incurred claims	9,510,427	8,822,198	9,624,960
Payment of claims	<u>(9,601,342)</u>	<u>(9,340,283)</u>	<u>(9,077,954)</u>
Unpaid claims June 30	<u>\$ 661,000</u>	<u>\$ 751,915</u>	<u>\$ 1,270,000</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

17. Interfund Transactions

- A. Due to/from balances at June 30, 2017 as reported on the fund statements, consist of the following amounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Summer Academy – Special Revenue	\$ 12,467
General Fund	Title III LEP – Special Revenue	\$ 343
General Fund	Special Education Grants – Special Revenue	\$ 60,409
General Fund	Title 1 Grant – Special Revenue	\$ 5,566
General Fund	Improving Teacher Quality – Special Revenue	\$ 5,360

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

Due to/due from balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2017 are reported on the Statement of Net Position.

- B. Interfund balances at June 30, 2017 as reported on the fund statements, consist of the following amounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service -Special Revenue	\$ 64
General Fund	Summer Academy – Special Revenue	\$ 10
General Fund	Auxiliary Schools – Special Revenue	\$ 26
General Fund	Special Education Grant – Special Revenue	\$ 102
General Fund	Title 1 Grant – Special Revenue	\$ 64

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2017 are reported on the Statement of Net Position.

- C. Interfund transfers for the year ended June 30, 2017, consisted of the following operating transfers from the General Fund to other governmental funds:

Debt Service	\$ 807,237
Food Service Fund	28,000
District Managed Student Activities Fund	50,350
	<u>\$ 885,587</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

17. Interfund Transactions (Continued)

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

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

18. Subsequent Event

On November 7, 2017, the residents of the District passed a continuing 3.75 mill operating levy as well as a \$230 million bond issue. Bond proceeds will be used for rebuilding the high school and renovating or rebuilding all five elementary schools. The maximum life of the bonds is 38 years.

Upper Arlington City Schools
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 69,882,500	\$ 71,437,441	\$ 71,438,940	\$ 1,499
Intergovernmental	12,940,015	13,141,513	13,147,572	6,059
Interest	350,000	605,000	607,430	2,430
Tuition and Fees	130,000	64,000	64,362	362
Rent	250,000	445,000	448,379	3,379
Extracurricular Activities	183,000	188,600	192,583	3,983
Gifts and Donations	85,000	-	-	-
Miscellaneous	1,548,000	1,679,500	1,684,603	5,103
Total Revenues	<u>85,368,515</u>	<u>87,561,054</u>	<u>87,583,869</u>	<u>22,815</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	43,445,697	42,735,008	42,691,751	43,257
Special	10,716,298	10,821,962	10,800,264	21,698
Vocational	174,070	128,870	126,437	2,433
Student Intervention Services	1,737,801	1,724,100	1,717,478	6,622
Support Services:				
Pupils	5,887,301	5,823,274	5,797,812	25,462
Instructional Staff	4,335,084	4,185,657	4,165,208	20,449
Board of Education	43,937	45,887	43,528	2,359
Administration	5,131,839	5,248,333	5,230,252	18,081
Fiscal	2,131,701	2,010,852	2,007,083	3,769
Business	558,551	597,651	593,765	3,886
Operation and Maintenance of Plant	7,686,592	7,137,668	7,112,075	25,593
Pupil Transportation	1,721,943	1,689,938	1,682,936	7,002
Central	1,314,360	1,319,916	1,316,944	2,972
Operation of Non-Instructional Services:				
Food Service Operations	42,950	43,350	42,999	351
Extracurricular Activities:				
Academic Oriented Activities	238,197	246,793	245,005	1,788
Sport Oriented Activities	1,160,058	1,073,912	1,066,295	7,617
School and Public Service Co-Curricular Activities	56,066	57,981	56,623	1,358
Total Expenditures	<u>86,382,445</u>	<u>84,891,152</u>	<u>84,696,455</u>	<u>194,697</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,013,930)</u>	<u>2,669,902</u>	<u>2,887,414</u>	<u>217,512</u>
OTHER FINANCING SOURCES AND USES:				
Advances In	184,473	177,524	177,524	-
Refund of Prior Year Expenditures	20,000	20,000	20,237	237
Transfers Out	(165,000)	(79,300)	(78,350)	950
Advances Out	(50,000)	(84,000)	(83,634)	366
Refund of Prior Year Receipts	(50,000)	-	-	-
Total Other Financing Sources and Uses	<u>(60,527)</u>	<u>34,224</u>	<u>35,777</u>	<u>1,553</u>
Net Change in Fund Balances	<u>(1,074,457)</u>	<u>2,704,126</u>	<u>2,923,191</u>	<u>219,065</u>
Fund Balance (Deficit) at Beginning of Year	<u>38,635,968</u>	<u>38,635,968</u>	<u>38,635,968</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>820,052</u>	<u>820,052</u>	<u>820,052</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u>\$ 38,381,563</u>	<u>\$ 42,160,146</u>	<u>\$ 42,379,211</u>	<u>\$ 219,065</u>

Upper Arlington City Schools
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.32978190%	0.342068100%	0.3627080%	0.3627080%
District's Proportionate Share of the Net Pension Liability	\$ 24,136,992	\$ 19,518,737	\$ 18,356,445	\$ 21,569,081
District's Covered-Employee payroll	\$ 10,255,307	\$ 10,229,901	\$ 10,539,531	\$ 10,596,026
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.36%	190.80%	174.17%	203.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

Upper Arlington City Schools
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.398487910%	0.396685150%	0.3970%	0.3970%
District's Proportionate Share of the Net Pension Liability	\$ 133,385,915	\$ 109,632,172	\$ 96,563,911	\$ 115,023,848
District's Covered-Employee payroll	\$ 41,974,264	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	317.78%	264.89%	238.06%	250.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

Upper Arlington City Schools
Required Supplementary Information
Schedule of District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 1,452,196	\$ 1,435,743	\$ 1,357,527	\$ 1,460,779
Contributions in Relation to the Contractually Required Contributions	(1,452,196)	(1,435,743)	(1,357,527)	(1,460,779)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 10,372,829	\$ 10,255,307	\$ 10,299,901	\$ 10,539,531
Contributions as a percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,466,490	\$ 1,451,961	\$ 1,428,021	\$ 1,366,593	\$ 1,283,480	\$ 1,227,360
(1,466,490)	(1,451,961)	(1,428,021)	(1,366,593)	(1,283,480)	(1,227,360)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,596,026	\$ 10,795,249	\$ 11,360,549	\$ 10,093,006	\$ 13,043,496	\$ 12,498,574
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Upper Arlington City Schools
Required Supplementary Information
Schedule of District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 6,089,089	\$ 5,876,397	\$ 5,794,243	\$ 5,273,104
Contributions in Relation to the Contractually Required Contributions	(6,089,089)	(5,876,397)	(5,794,243)	(5,273,104)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 43,493,493	\$ 41,974,264	\$ 41,387,450	\$ 40,562,338
Contributions as a percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 5,965,092	\$ 5,828,724	\$ 5,860,956	\$ 5,826,576	\$ 5,761,764	\$ 4,955,139
(5,965,092)	(5,828,724)	(5,860,956)	(5,826,576)	(5,761,764)	(4,955,139)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 45,885,323	\$ 44,836,338	\$ 45,084,277	\$ 44,819,815	\$ 44,321,262	\$ 38,116,454
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A. Budgetary Information

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

- (1) A Tax Budget of estimated cash receipts and disbursements is submitted to the Franklin County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Upper Arlington Board of Education holds a budget hearing when it normally adopts the Tax Budget at the first regular meeting in January, following the budget hearing.
- (2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.
- (3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Upper Arlington Board of Education adopted its 2017 permanent appropriation measure at its September 13, 2016 regular meeting. The Board of Education adopted at the June 28, 2016 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

B. Reconciling Budgetary Basis and GAAP

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

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

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

Change in net position	\$ 3,748,178
Adjustments:	
Due to revenues	765,718
Due to expenditures	(313,849)
Due to other financing sources	114,127
Funds budgeted as other funds	(1,390,983)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u><u>\$ 2,923,191</u></u>

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Donation)	10.555	\$ 36,686
National School Lunch Program		
Cash Assistance:		
National School Lunch Program	10.555	53,266
Total Child Nutrition Cluster		<u>89,952</u>
Total U.S. Department of Agriculture		<u>89,952</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	436,941
Special Education Cluster:		
Special Education Grants to States	84.027	1,209,957
Special Education Preschool Grants	84.173	18,266
Total Special Education Cluster		<u>1,228,223</u>
English Language Acquisition State Grants	84.365	9,936
Improving Teacher Quality State Grants	84.367	96,221
Total U.S. Department of Education		<u>1,771,321</u>
Total Expenditures of Federal Awards		<u>\$ 1,861,273</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, 2017**

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2017



Dave Yost • Auditor of State

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

Upper Arlington City School District
Franklin County
1950 North Mallway Drive
Upper Arlington, Ohio 13221

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Upper Arlington City School District's, Franklin County, Ohio, (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, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the 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 program for the year ended June 30, 2017.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275

www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2017

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster
(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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Dave Yost • Auditor of State

UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 30, 2017