



Dave Yost • Auditor of State

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	27
Notes to the Basic Financial Statements.....	29
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)– General Fund	79
Notes to the Budgetary Required Supplementary Information	80
Schedule of the District's Proportionate Share of the Net Pension Liability - SERS	82
Schedule of the District's Proportionate Share of the Net Pension Liability - STRS.....	83
Schedule of District Pension Contributions - SERS.....	84
Schedule of District Pension Contributions - STRS	86
Schedule of the District's Proportionate Share of the Net OPEB Liability - SERS	88
Schedule of the District's Proportionate Share of the Net OPEB Liability - STRS.....	89
Schedule of District OPEB Contributions - SERS.....	90
Schedule of District OPEB Contributions - STRS	92
Notes to Required Supplementary Information.....	94

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2018

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of Expenditures of Federal Awards.....	97
Notes to the Schedule of Expenditures of Federal Awards.....	98
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	99
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.....	101
Schedule of Findings.....	103



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, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*". We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 20, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The management's discussion and analysis of the Upper Arlington City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

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. Bonds were issued in January 2018 to fund the first phase of the facility master plan which included rebuilding the high school and renovating or rebuilding all five elementary schools.

The District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). Additional details are included on pages 38-39 and 66-74.

In total, net position of governmental activities increased \$68,528,825 which represents a 146.57% increase from 2017's restated net position. The majority of this increase was due to the decrease of net pension and other postemployment benefits liabilities of \$52,389,949.

The District has three major funds: the general fund, debt service fund and building fund. The general fund had \$98,223,470 in revenues and \$91,365,365 in expenditures and other financing uses. The general fund's fund balance increased \$6,858,105 from \$68,250,552 to \$75,108,657.

The debt service fund had \$43,464,988 in revenues and other financing sources and \$17,588,097 in expenditures. The fund balance of the debt service fund increased \$25,876,891 from \$3,804,147 to \$29,681,038.

The building fund had \$230,832,886 in revenues and other financing sources and \$4,820,218 in expenditures. The fund balance of the building fund increased to \$226,012,668.

Enrollment continues to grow and totaled approximately 6,100 students in 2017-18, which is a 6% increase in enrollment over the last 5 years. The enrollment increase is related to housing turnover thus impacting the demographics of the District. Average residential values increased 12% in the most recent County reappraisal.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-24 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-74 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability, net OPEB liability, and budget versus actual statement for the general fund. The required supplementary information can be found on pages 77-93 of this report.

THIS SPACE INTENTIONALLY LEFT BLANK

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
<u>Assets</u>		
Current and other assets	\$ 414,381,196	\$ 140,099,332
Capital assets, net	<u>62,918,026</u>	<u>60,380,571</u>
Total assets	<u>477,299,222</u>	<u>200,479,903</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charge on debt refunding	577,815	809,017
Pension	34,369,611	28,276,091
OPEB	<u>1,120,693</u>	<u>173,440</u>
Total deferred outflows of resources	<u>36,068,119</u>	<u>29,258,548</u>
<u>Liabilities</u>		
Current liabilities	12,497,393	11,587,518
Long-term liabilities:		
Due within one year	13,596,847	5,242,830
Due in more than one year:		
Net pension liability	112,075,065	157,522,907
Net OPEB liability	23,828,174	30,770,281
Other amounts	<u>261,249,671</u>	<u>24,878,077</u>
Total liabilities	<u>423,247,150</u>	<u>230,001,613</u>
<u>Deferred Inflows of Resources</u>		
Property taxes and PILOTs levied for next year	58,772,639	45,380,824
Pension	6,268,559	1,111,074
OPEB	<u>3,305,228</u>	<u>-</u>
Total deferred inflows of resources	<u>68,346,426</u>	<u>46,491,898</u>
<u>Net Position</u>		
Net investment in capital assets	38,465,686	37,590,246
Restricted	22,625,759	13,571,992
Unrestricted (deficit)	<u>(39,317,680)</u>	<u>(97,917,298)</u>
Total net position (deficit)	<u>\$ 21,773,765</u>	<u>\$ (46,755,060)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$16,158,219) to (\$46,755,060). See Note 3.A. to the basic financial statements.

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$21,773,765.

Assets of the District increased \$276,819,319 or 138.08%. Current and other assets increased primarily due to an increase in equity in pooled cash and investments due to the sale of bonds for construction of District facilities.

At year-end, capital assets represented 13.18% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2018, was \$38,465,686. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Deferred outflows of resources increased \$6,809,571 primarily due to pension and OPEB related amounts.

Liabilities of the District increased \$193,245,537 or 84.02%. The largest increase was in the area of long-term obligations due in more than one year. This increase was the result of the District issuing construction bonds in the amount of \$230 million during fiscal year 2018.

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

	Governmental Activities 2018	Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
Total net position (with GASB 68 and GASB 75)	\$ 21,773,765	\$ (46,755,060)
GASB 68 calculations:		
Add: Deferred inflows related to pension	6,268,559	1,111,074
Add: Net pension liability	112,075,065	157,522,907
Less: Deferred outflows related to pension	(34,369,611)	(28,276,091)
GASB 75 calculations:		
Add: Deferred inflows related to OPEB	3,305,228	-
Add: Net OPEB liability	23,828,174	30,770,281
Less: Deferred outflows related to OPEB	(1,120,693)	(173,440)
Total net position (without GASB 68 and GASB 75)	<u>\$ 131,760,487</u>	<u>\$ 114,199,671</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities	Restated Governmental Activities
	<u>2018</u>	<u>2017</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 6,682,296	\$ 6,222,665
Operating grants and contributions	4,142,442	3,016,316
Capital grants and contributions	16,843	-
General revenues:		
Property taxes	95,169,425	77,504,079
Payment in lieu of taxes	1,332,839	1,246,687
Grants and entitlements	13,288,991	13,905,493
Investment earnings	2,560,179	477,228
Other	<u>3,022,243</u>	<u>5,031,821</u>
Total revenues	<u>\$ 126,215,258</u>	<u>\$ 107,404,289</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 21,431,592	\$ 50,195,056
Special	8,316,974	14,669,727
Vocational	204,158	111,321
Other	5,272	-
Support services:		
Pupil	2,469,355	6,448,255
Instructional staff	2,363,691	4,510,383
Board of education	40,948	-
School administration	2,689,007	5,719,314
Fiscal	1,785,398	2,146,319
Business	359,832	585,809
Operations and maintenance	4,558,306	7,276,032
Pupil transportation	879,562	2,012,573
Central	2,651,752	4,515,964
School administration	46,927	44,293
Operation of non-instructional services:		
Food service operations	1,239,328	1,772,788
Community services	1,597,811	3,859,606
Extracurricular activities	1,669,109	2,895,650
Interest and fiscal charges	<u>5,377,411</u>	<u>711,199</u>
Total expenses	<u>57,686,433</u>	<u>107,474,289</u>
Change in net position	68,528,825	(70,000)
Net position at beginning of year (restated)	<u>(46,755,060)</u>	<u>N/A</u>
Net position at end of year	<u>\$ 21,773,765</u>	<u>\$ (46,755,060)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities

Net position of the District's governmental activities increased \$68,528,825. Total governmental expenses of \$57,686,433 were offset by program revenues of \$10,841,581 and general revenues of \$115,373,677. Program revenues supported 18.79% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 85.93% of total governmental revenue. The most significant increase was in the area of property taxes and interest earnings. Property taxes increased \$17,665,346 primarily due to a (1) a voted property taxes levy, (2) the timing of calendar year 2018 property tax payments, and (3) an increase in assessed valuation in the District. In November 2017, the District's residents approved a 3.75 mil operating levy and a \$230 million bond issue for replacement/renovation of six of its educational buildings. The 3.75 mil levy generates approximately \$6.5 million annually, impacting the second half of fiscal year 2018. In addition to the levy, certain District taxpayers paid their entire 2018 calendar year taxes in 2017 resulting in an increase to property tax revenue in fiscal year 2018. Interest earnings increased \$2,082,951 due to the investment of bond proceeds to construct District facilities.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$173,440 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense.

Under GASB 75, the 2018 statements report OPEB expenses of (\$4,350,044). Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 57,686,433
Negative OPEB expense under GASB 75	4,350,044
2018 contractually required contributions	<u>234,088</u>
Adjusted 2018 program expenses	62,270,565
Total 2017 program expenses under GASB 45	<u>107,474,289</u>
Decrease in program expense not related to OPEB	<u>\$ (45,203,724)</u>

Overall, expenses of the governmental activities decreased \$49,787,856 or 46.33%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. For fiscal year 2018, on an accrual basis, the District reported (\$38,478,220) in pension expense and (\$4,350,044) in OPEB expense mainly due to these benefit changes by the retirement systems. Fiscal year 2018 pension expense of (\$38,478,220) reflects a \$53,291,463 decrease from fiscal year 2017 pension expense of \$14,813,243. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years as pension expense is a component of program expenses reported on the statement of activities.

The application of GASB 68 and GASB 75 requires the reader to perform additional calculations to determine the District's total change in net position at June 30, 2018 and June 30, 2017 without the application of GASB 68 and GASB 75. This is an important exercise, as the State Pension Systems (STRS & SERS) collect, hold and distributes pensions to our employees, not the Upper Arlington City School District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

These calculations are as follows:

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Total change in net position (with GASB 68 and GASB 75)	\$ 68,528,825	\$ (70,000)
GASB 68 calculations:		
Add: Pension expense	(38,478,220)	14,813,243
Less: Current year contributions	(7,905,657)	(7,541,285)
GASB 75 calculations:		
Add: OPEB expense	(4,350,044)	-
Less: Current year contributions	(234,088)	-
Total change in net position (without GASB 68 and GASB 75)	<u>\$ 17,560,816</u>	<u>\$ 7,201,958</u>

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

Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 21,431,592	\$ 20,604,629	\$ 50,195,056	\$ 49,731,963
Special	8,316,974	6,318,846	14,669,727	13,323,555
Vocational	204,158	189,119	111,321	111,321
Other	5,272	(27,818)	-	-
Support services:				
Pupil	2,469,355	2,444,560	6,448,255	6,383,602
Instructional staff	2,363,691	2,212,959	4,510,383	4,434,190
Board of education	40,948	40,948	-	-
School administration	2,689,007	2,454,798	5,719,314	5,502,580
Fiscal	1,785,398	1,774,661	2,146,319	2,146,319
Business	359,832	359,819	585,809	585,809
Operations and maintenance	4,558,306	4,069,464	7,276,032	7,276,032
Pupil transportation	879,562	703,771	2,012,573	1,961,953
Central	2,651,752	2,621,376	4,515,964	4,501,564
General administration	46,927	46,927	44,293	44,293
Operations of non-instructional services:				
Food service operations	1,239,328	(606,008)	1,772,788	147,176
Community services	1,597,811	(1,824,733)	3,859,606	(4,161)
Extracurricular activities	1,669,109	84,123	2,895,650	1,377,913
Interest and fiscal charges	<u>5,377,411</u>	<u>5,377,411</u>	<u>711,199</u>	<u>711,199</u>
Total	<u>\$ 57,686,433</u>	<u>\$ 46,844,852</u>	<u>\$ 107,474,289</u>	<u>\$ 98,235,308</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The dependence upon tax and other general revenues for governmental activities is apparent as 90.41% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.21%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$340,297,402, which is higher than last year's total of \$81,446,201.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	<u>Fund Balance June 30, 2018</u>	<u>Fund Balance June 30, 2017</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 75,108,657	\$ 68,250,552	\$ 6,858,105	10.05 %
Debt service	29,681,038	3,804,147	25,876,891	680.23 %
Building	226,012,668	-	226,012,668	100.00 %
Other Governmental	<u>9,495,039</u>	<u>9,391,502</u>	<u>103,537</u>	1.10 %
Total	<u>\$ 340,297,402</u>	<u>\$ 81,446,201</u>	<u>\$ 258,851,201</u>	317.82 %

General Fund

During fiscal year 2018, the District's general fund balance increased \$6,858,105.

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 78,769,592	\$ 71,010,141	\$ 7,759,451	10.93 %
Earnings on investments	550,973	461,687	89,286	19.34 %
Intergovernmental	13,243,702	13,208,644	35,058	0.27 %
Other revenues	<u>5,659,203</u>	<u>6,383,908</u>	<u>(724,705)</u>	(11.35) %
Total	<u>\$ 98,223,470</u>	<u>\$ 91,064,380</u>	<u>\$ 7,159,090</u>	7.86 %
<u>Expenditures</u>				
Instruction	\$ 57,599,721	\$ 54,591,373	\$ 3,008,348	5.51 %
Support services	31,446,324	30,247,054	1,199,270	3.96 %
Extracurricular activities	1,697,803	1,705,195	(7,392)	(0.43) %
Capital outlay	18,745	19,770	(1,025)	(5.18) %
Debt service	<u>524,460</u>	<u>674,460</u>	<u>(150,000)</u>	(22.24) %
Total	<u>\$ 91,287,053</u>	<u>\$ 87,237,852</u>	<u>\$ 4,049,201</u>	4.64 %

Overall revenues of the general fund increased \$7,159,090 or 7.86%. The most significant increases were in the areas of property taxes and earnings on investments. Property taxes increased due to a voted property levy approved by the voters in November 2017. Earnings on investments increased due to an increase in the amount of investments and investment rates.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Expenditures increased \$4,049,201 or 4.64%. Instructional and support services increased \$3,008,348 and \$1,199,270, respectively, due to increased staffing and programs associated with enrollment growth, and normal and customary increases in salaries and benefits costs.

Debt Service Fund

The debt service fund had \$43,464,988 in revenues and other financing sources and \$17,588,097 in expenditures. The fund balance of the debt service fund increased \$25,876,891 from \$3,804,147 to \$29,681,038. This increase is the result of (1) the \$19,380,754 bond issuance premium which was deposited into the debt service fund, and (2) an increase in property tax revenue as a result of the voted property tax increase in November 2017. In addition, the debt service fund reported \$9.5 million in bond proceeds which were used to retire \$9.5 million in bond anticipation notes which were issued in fiscal year 2018.

Building Fund

The building fund had \$230,832,886 in revenues and other financing sources and \$4,820,218 in expenditures. The fund balance of the building fund increased to \$226,012,668. The District established the building fund to account for the Series 2018A and Series 2018B School Facilities and Construction Bonds issued in fiscal year 2018.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2018, the District amended its general fund estimated revenue budget. For the general fund, original revenues and other financing sources and final revenues and other financing sources were \$87,160,935 and \$95,259,019, respectively. The District increased property tax revenues from the original budget to the final budget by \$7.18 million due to (1) a voted property taxes levy, (2) the timing of calendar year 2018 property tax payments, and (3) an increase in assessed valuation in the District. In November 2017, the District's residents approved a 3.75 mil operating levy which will generate approximately \$6.5 million annually, impacting the second half of fiscal year 2018. In addition to the levy, certain District taxpayers paid their entire 2018 calendar year taxes in 2017 resulting in an increase to property tax revenue in fiscal year 2018. Actual revenues and other financing sources of \$95,455,276 were \$196,257 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$89,196,981 were \$23,463 lower than final appropriations (appropriated expenditures plus other financing uses) of \$89,220,444. Original appropriations were \$89,160,516. There were no significant modifications made between the original and final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$62,918,026 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The table that follows shows June 30, 2018 balances compared to June 30, 2017:

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

	Governmental Activities	
	2018	2017
Land	\$ 629,783	\$ 629,783
Construction in progress	5,313,724	4,177,583
Land improvements	1,319,688	1,447,693
Buildings and improvements	51,347,380	47,955,280
Furniture and equipment	3,416,608	5,261,586
Vehicles	890,843	908,646
Total	\$ 62,918,026	\$ 60,380,571

The overall increase of \$2,537,455 is primarily the result of additions of \$6,934,179 exceeding depreciation expense of \$4,395,680.

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

Debt Administration

At June 30, 2018, the District had \$248,173,973 in general obligation bonds, notes and capital leases outstanding. The general obligation bond issues are comprised of current interest bonds. Of this total, \$12,278,624 is due within one year and \$235,895,349 is due in more than one year. The table below summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2018	2017
Current interest bonds - 2018A	\$ 164,060,000	\$ -
Current interest bonds - 2018B	65,940,000	-
Refunding issue bonds - 2013	13,370,000	15,745,000
Notes payable - 2016	3,025,000	3,755,000
Capital leases	1,778,973	3,026,127
Total	\$ 248,173,973	\$ 22,526,127

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

Current Financial Related Activities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The financial picture of the District appears stable over the next 5 years according to the District's latest Five Year Forecast passed in October 2018. This Forecast shows a positive cash balance before reserves through 2023; however, forecasted expenditures begin to exceed forecasted revenues in the 2018-19 fiscal year.

The property tax laws in Ohio create the need periodically to seek voter approval for additional operating funds. Tax revenues generated from voted tax levies do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs as was successfully accomplished in November 2017.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Andrew L. Geistfeld, Treasurer, Upper Arlington City School District, 1950 North Mallway Drive, Upper Arlington, Ohio 43221.

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 316,141,581
Receivables:	
Property taxes	94,546,546
Payment in lieu of taxes	1,260,186
Accounts	304,669
Accrued interest	1,528,184
Intergovernmental	384,517
Prepayments	70,642
Materials and supplies inventory	35,103
Inventory held for resale	109,768
Capital assets:	
Nondepreciable capital assets	5,943,507
Depreciable capital assets, net	56,974,519
Capital assets, net	<u>62,918,026</u>
Total assets	<u>477,299,222</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	577,815
Pension (Note 14)	34,369,611
OPEB (Note 15)	1,120,693
Total deferred outflows of resources	<u>36,068,119</u>
Liabilities:	
Accounts payable	1,422,318
Contracts payable	1,199,694
Retainage payable	69,760
Accrued wages and benefits payable	7,041,316
Intergovernmental payable	1,887,685
Accrued interest payable	876,620
Long-term liabilities:	
Due within one year	13,596,847
Due in more than one year:	
Net pension liability (Note 14)	112,075,065
Net OPEB liability (Note 15)	23,828,174
Other amounts due in more than one year	261,249,671
Total liabilities	<u>423,247,150</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	57,861,279
Payment in lieu of taxes levied for the next fiscal year	911,360
Pension (Note 14)	6,268,559
OPEB (Note 15)	3,305,228
Total deferred inflows of resources	<u>68,346,426</u>
Net position:	
Net investment in capital assets	38,465,686
Restricted for:	
Capital projects	8,386,583
Debt service	9,934,342
Locally funded programs	807,789
Federally funded programs	171,370
Community services	2,424,030
Student activities	594,255
Other purposes	307,390
Unrestricted (deficit)	(39,317,680)
Total net position	<u>\$ 21,773,765</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 21,431,592	\$ 340,673	\$ 469,447	\$ 16,843
Special	8,316,974	52,786	1,945,342	-
Vocational	204,158	-	15,039	-
Other	5,272	32,837	253	-
Support services:				
Pupil.	2,469,355	23,175	1,620	-
Instructional staff	2,363,691	111	150,621	-
Board of education	40,948	-	-	-
School administration.	2,689,007	-	234,209	-
Fiscal.	1,785,398	31	10,706	-
Business.	359,832	13	-	-
Operations and maintenance	4,558,306	474,800	14,042	-
Pupil transportation.	879,562	-	175,791	-
Central	2,651,752	18,963	11,413	-
General administration	46,927	-	-	-
Operation of non-instructional services:				
Food service operations	1,239,328	1,751,224	94,112	-
Community services	1,597,811	2,689,991	732,553	-
Extracurricular activities.	1,669,109	1,297,692	287,294	-
Interest and fiscal charges	5,377,411	-	-	-
Total governmental activities	\$ 57,686,433	\$ 6,682,296	\$ 4,142,442	\$ 16,843

General revenues:

Property taxes levied for:
General purposes
Debt service.
Capital outlay.
Payments in lieu of taxes.
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position at beginning of year (restated) .
Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**Governmental
Activities**

\$	(20,604,629)
	(6,318,846)
	(189,119)
	27,818
	(2,444,560)
	(2,212,959)
	(40,948)
	(2,454,798)
	(1,774,661)
	(359,819)
	(4,069,464)
	(703,771)
	(2,621,376)
	(46,927)
	606,008
	1,824,733
	(84,123)
	(5,377,411)
	<hr/>
	(46,844,852)
	<hr/>

	78,782,154
	13,536,300
	2,850,971
	1,332,839
	13,288,991
	2,560,179
	3,022,243
	<hr/>
	115,373,677
	<hr/>
	68,528,825
	<hr/>
	(46,755,060)
	<hr/>
\$	21,773,765
	<hr/> <hr/>

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Debt Service	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 56,558,551	\$ 24,201,318	\$ 226,650,369	\$ 8,731,343	\$ 316,141,581
Receivables:					
Property taxes	76,874,155	14,769,738	-	2,902,653	94,546,546
Payment in lieu of taxes	1,260,186	-	-	-	1,260,186
Accounts	89,783	6,611	-	208,275	304,669
Accrued interest	280,413	-	1,247,771	-	1,528,184
Interfund loans	87,114	-	-	-	87,114
Intergovernmental	-	-	-	384,517	384,517
Prepayments	70,642	-	-	-	70,642
Materials and supplies inventory	30,824	-	-	4,279	35,103
Inventory held for resale	-	-	-	109,768	109,768
Due from other funds	1,189	-	-	22,771	23,960
Total assets	<u>\$ 135,252,857</u>	<u>\$ 38,977,667</u>	<u>\$ 227,898,140</u>	<u>\$ 12,363,606</u>	<u>\$ 414,492,270</u>
Liabilities:					
Accounts payable	\$ 1,365,815	\$ -	\$ -	\$ 56,503	\$ 1,422,318
Contracts payable	-	-	836,393	363,301	1,199,694
Retainage payable	-	-	51,610	18,150	69,760
Accrued wages and benefits payable	6,821,107	-	-	220,209	7,041,316
Compensated absences payable	685,621	-	-	-	685,621
Intergovernmental payable	1,791,029	-	-	96,656	1,887,685
Interfund loans payable	-	-	-	87,114	87,114
Due to other funds	2,928	-	-	21,032	23,960
Total liabilities	<u>10,666,500</u>	<u>-</u>	<u>888,003</u>	<u>862,965</u>	<u>12,417,468</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	47,046,001	9,038,891	-	1,776,387	57,861,279
Payment in lieu of taxes levied for the next fiscal year	911,360	-	-	-	911,360
Delinquent property tax revenue not available	1,341,488	257,738	-	50,653	1,649,879
Intergovernmental revenue not available	-	-	-	178,562	178,562
Accrued interest not available	178,851	-	997,469	-	1,176,320
Total deferred inflows of resources	<u>49,477,700</u>	<u>9,296,629</u>	<u>997,469</u>	<u>2,005,602</u>	<u>61,777,400</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	30,824	-	-	4,279	35,103
Prepays	70,642	-	-	-	70,642
Restricted:					
Debt service	-	29,681,038	-	-	29,681,038
Capital improvements	-	-	226,012,668	5,236,121	231,248,789
Food service operations	-	-	-	145,233	145,233
Non-public schools	-	-	-	92,844	92,844
Other purposes	-	-	-	1,013,119	1,013,119
Community activities	-	-	-	2,440,156	2,440,156
Student activities	-	-	-	594,255	594,255
Committed:					
Health insurance	4,174,124	-	-	-	4,174,124
Workers' compensation	974,868	-	-	-	974,868
Assigned:					
Student instruction	133,833	-	-	-	133,833
Student and staff support	572,713	-	-	-	572,713
Subsequent year's appropriations	1,586,656	-	-	-	1,586,656
School supplies	113,925	-	-	-	113,925
Unassigned	<u>67,451,072</u>	<u>-</u>	<u>-</u>	<u>(30,968)</u>	<u>67,420,104</u>
Total fund balances	<u>75,108,657</u>	<u>29,681,038</u>	<u>226,012,668</u>	<u>9,495,039</u>	<u>340,297,402</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 135,252,857</u>	<u>\$ 38,977,667</u>	<u>\$ 227,898,140</u>	<u>\$ 12,363,606</u>	<u>\$ 414,492,270</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Total governmental fund balances		\$	340,297,402
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			62,918,026
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,649,879	
Accrued interest receivable		1,176,320	
Intergovernmental receivable		178,562	
Total		3,004,761	3,004,761
Unamortized premiums on bonds issued are not recognized in the funds.			(19,894,324)
Unamortized amounts on refundings are not recognized in the funds.			577,815
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(876,620)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		34,369,611	
Deferred Inflows - Pension		(6,268,559)	
Net pension liability		(112,075,065)	
Total		(83,974,013)	(83,974,013)
The net OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - OPEB		1,120,693	
Deferred Inflows - OPEB		(3,305,228)	
Net OPEB liability		(23,828,174)	
Total		(26,012,709)	(26,012,709)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(243,370,000)	
Notes payable		(3,025,000)	
Capital lease obligations		(1,778,973)	
Compensated absences		(6,092,600)	
Total		(254,266,573)	(254,266,573)
Net position of governmental activities		\$	21,773,765

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 78,769,592	\$ 13,333,284	\$ -	\$ 2,853,594	\$ 94,956,470
Payment in lieu of taxes	1,332,839	-	-	-	1,332,839
Tuition	121,646	-	-	2,753,990	2,875,636
Earnings on investments	550,973	-	832,886	10,925	1,394,784
Charges for services	-	-	-	1,751,224	1,751,224
Extracurricular	199,083	-	-	798,532	997,615
Classroom materials and fees	272,768	-	-	-	272,768
Rental income	474,787	-	-	-	474,787
Contributions and donations	6,000	-	-	191,319	197,319
Other local revenues	3,252,080	-	-	737,332	3,989,412
Intergovernmental - state	13,242,084	473,829	-	982,686	14,698,599
Intergovernmental - federal	1,618	-	-	1,989,271	1,990,889
Total revenues	98,223,470	13,807,113	832,886	12,068,873	124,932,342
Expenditures:					
Current:					
Instruction:					
Regular	43,656,772	-	-	525,241	44,182,013
Special	13,738,791	-	-	1,293,236	15,032,027
Vocational	204,158	-	-	-	204,158
Other	-	-	-	29,531	29,531
Support services:					
Pupil	6,476,612	-	-	8,819	6,485,431
Instructional staff	4,427,414	-	-	155,698	4,583,112
Board of education	51,378	-	-	-	51,378
School administration	5,443,537	-	-	239,851	5,683,388
Fiscal	2,072,713	127,121	-	50,357	2,250,191
Business	588,105	-	-	245	588,350
Operations and maintenance	7,222,965	-	-	114,007	7,336,972
Pupil transportation	1,784,999	-	-	129,939	1,914,938
Central	3,331,674	-	-	25,899	3,357,573
General administration	46,927	-	-	-	46,927
Operation of non-instructional services:					
Food service operations	-	-	-	1,732,537	1,732,537
Community services	-	-	-	3,140,310	3,140,310
Extracurricular activities	1,697,803	-	-	1,120,375	2,818,178
Facilities acquisition and construction	18,745	-	4,820,218	1,950,631	6,789,594
Debt service:					
Principal retirement	512,224	12,605,000	-	734,930	13,852,154
Interest and fiscal charges	12,236	3,331,703	-	14,921	3,358,860
Bond issuance costs	-	1,524,273	-	-	1,524,273
Total expenditures	91,287,053	17,588,097	4,820,218	11,266,527	124,961,895
Excess (deficiency) of revenues over (under) expenditures	6,936,417	(3,780,984)	(3,987,332)	802,346	(29,553)
Other financing sources (uses):					
Premium on bonds and notes issued	-	19,380,754	-	-	19,380,754
Issuance of bonds	-	9,500,000	220,500,000	-	230,000,000
Issuance of notes	-	-	9,500,000	-	9,500,000
Transfers in	-	777,121	-	78,312	855,433
Transfers (out)	(78,312)	-	-	(777,121)	(855,433)
Total other financing sources (uses)	(78,312)	29,657,875	230,000,000	(698,809)	258,880,754
Net change in fund balances	6,858,105	25,876,891	226,012,668	103,537	258,851,201
Fund balances at beginning of year	68,250,552	3,804,147	-	9,391,502	81,446,201
Fund balances at end of year	\$ 75,108,657	\$ 29,681,038	\$ 226,012,668	\$ 9,495,039	\$ 340,297,402

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Net change in fund balances - total governmental funds	\$	258,851,201
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 6,917,336	
Current year depreciation	<u>(4,395,680)</u>	
Total		2,521,656
Dontated capital assets are received		16,843
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(1,044)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Property taxes	212,955	
Earnings on investments	1,176,320	
Intergovernmental	<u>(123,202)</u>	
Total		1,266,073
Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments were:		
Bonds	2,375,000	
Notes	10,230,000	
Capital leases	<u>1,247,154</u>	
Total		13,852,154
Issuance of bonds and notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		
Bonds	(230,000,000)	
Notes	<u>(9,500,000)</u>	
Total		(239,500,000)
Premiums on bonds and note issued are recorded as an other financing source in the governmental funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		(19,380,754)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	(822,721)	
Amortization of bond premiums	559,645	
Amortization of deferred charges	<u>(231,202)</u>	
Total		(494,278)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		7,905,657
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		38,478,220
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		234,088
Except for amounts reported as deferred inflows/outflows, changes in the OPEB liability are reported as an expense in the statement of activities.		4,350,044
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>428,965</u>
Change in net position of governmental activities	\$	<u>68,528,825</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2018

	Agency
Assets:	
Equity in pooled cash and investments . . .	\$ 258,411
Receivables:	
Accounts	2,081
Total assets.	\$ 260,492
 Liabilities:	
Accounts payable.	\$ 18,920
Due to students.	239,489
Due to others	2,083
Total liabilities	\$ 260,492

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Upper Arlington City School District, Franklin County, Ohio (the “District”) was organized in 1918 and is a fiscally independent political subdivision of the State of Ohio, Franklin County, Ohio. The District is governed by a five-member Board of Education (the Board) elected by the citizens of Upper Arlington. The District is comprised of 8 schools and other buildings and departments that employ approximately 782 employees. Our student population is 6,192 students, excluding Community Schools’ enrollment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium. META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2018, the District paid META Solutions \$144,658 for services. Financial information can be obtained from the Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

JOINT VENTURE WITHOUT EQUITY INTEREST

The Rockbridge Academy (the "Academy")

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

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the Academy; however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The Academy is dependent upon continued support of the member schools as it is not independently accumulating adequate financial resources. The District did not submit any payments to the Rockbridge Academy during fiscal year 2018. Further detailed financial information may be obtained by contacting The Academy's fiscal agent, the Educational Service Center of Central Ohio, at (614) 445-3750.

Burbank Park

Burbank Park is an agreement between the City of Upper Arlington (the "City") and the District to provide recreational facilities at Burbank Park.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

C. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

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

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

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

D. Measurement Focus

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

E. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes (PILOTs), grants, entitlements, and donations. On an accrual basis, revenue from property taxes and PILOTs are recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, payments in lieu of taxes, tuition, grants, and student fees.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

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

F. Cash and Investments

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

During fiscal year 2018, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, commercial paper, negotiable certificates of deposit (negotiable CDs), U.S. Treasury securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, the District measures investments at fair value which is based on quoted market prices.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$550,973 which includes \$164,030 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

G. Inventory

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

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

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

H. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$2,500 and a useful life of less than one year. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	15 - 50 Years
Furniture, Fixtures, and Equipment	3 - 20 Years
Vehicles	8 - 15 Years

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

I. Interfund Activity

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Receivables and payables related to unpaid amounts for interfund services provided and used are classified as "due from/due to other funds". Interfund balances are summarized in Note 11.

These amounts are eliminated in the governmental activities column of the statement of net position.

K. Compensated Absences

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

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

For governmental fund financial statements, the amount of accumulated sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes and capital leases are recognized as a liability on the fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports \$22,625,759 of restricted net position, of which none is restricted by enabling legislation.

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

N. Fund Balance

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

O. Non-Public Schools

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

P. Budgetary Data

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Q. Encumbrances

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

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

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

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

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

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

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

U. Fair Value Measurements

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

V. Estimates

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

W. Budget Stabilization Reserve

The Board of Education has a policy whereby the general fund must maintain a cash balance reserve equivalent to at least three (3) months of operating expenses. Promptly upon receiving any indication that such a cash balance may not be achieved within the first four (4) years of the rolling five- year financial forecast period, the Treasurer shall report such a finding to the Board, along with proposed options that the Board may consider. The District's cash balance reserve is included in the general fund's unassigned fund balance.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements, and added required supplementary information which is presented on pages 80 - 93.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position (deficit) as previously reported	\$ (16,158,219)
Deferred outflows - payments subsequent to measurement date	173,440
Net OPEB liability	(30,770,281)
Restated net position (deficit) at July 1, 2017	\$ (46,755,060)

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

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 21,061
Title I	9,012
Miscellaneous Federal Grants	895

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At June 30, 2018, the District had \$600 in undeposited cash on hand which is included on the financial statements as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$7,340,083 and the bank balance of all District deposits was \$7,416,816. Of the bank balance, \$2,766,111 was covered by the FDIC and \$4,650,705 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2018, the District had the following investment and maturity:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FHLB	\$ 72,499,482	\$ 474,373	\$ 3,444,246	\$ -	\$ 17,372,713	\$ 51,208,150
FHLMC	19,919,857	-	-	-	2,258,780	17,661,077
FNMA	24,893,284	157,689	1,733,640	4,421,810	6,376,915	12,203,230
FFCB	29,071,591	-	-	-	14,216,354	14,855,237
Commercial Paper	111,234,848	109,379,859	1,854,989	-	-	-
Negotiable CD's	8,012,139	1,728,567	490,875	1,657,535	485,743	3,649,419
U.S. Treasury securities	20,013,184	2,583,625	566,893	-	3,852,776	13,009,890
Amortized Cost:						
STAR Ohio	23,414,924	23,414,924	-	-	-	-
Total	\$ 309,059,309	\$ 137,739,037	\$ 8,090,643	\$ 6,079,345	\$ 44,563,281	\$ 112,587,003

The weighted average maturity of investments is 1.42 years.

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

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities and U.S. Treasury securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CDs are not rated but are fully covered by the FDIC. The investments in commercial paper were rated A1 and A1+ by Standard & Poor's and P1 by Moody's. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FHLB	\$ 72,499,482	23.46
FHLMC	19,919,857	6.45
FNMA	24,893,284	8.05
FFCB	29,071,591	9.41
Commercial Paper	111,234,848	35.98
Negotiable CD's	8,012,139	2.59
U.S. Treasury securities	20,013,184	6.48
Amortized Cost:		
STAR Ohio	23,414,924	7.58
Total	<u>\$ 309,059,309</u>	<u>100.00</u>

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,340,083
Investments	309,059,309
Cash on hand	<u>600</u>
Total	<u>\$ 316,399,992</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 316,141,581
Agency funds	<u>258,411</u>
Total	<u>\$ 316,399,992</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

	Governmental activities
Property taxes	\$ 94,546,546
Payments in lieu of taxes	1,260,186
Intergovernmental	384,517
Accrued interest	1,528,184
Accounts	304,669
Total	\$ 98,024,102

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$28,486,666 in the general fund, \$5,473,109 in the debt service fund, and \$1,075,613 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$28,419,631 in the general fund, \$1,169,926 in the debt service fund, and \$1,139,121 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,719,170,040	98.62	\$ 1,917,004,700	98.66
Public utility personal	<u>23,976,569</u>	<u>1.38</u>	<u>26,117,630</u>	<u>1.34</u>
Total	<u>\$ 1,743,146,609</u>	<u>100.00</u>	<u>\$ 1,943,122,330</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 629,783	\$ -	\$ -	\$ 629,783
Construction in progress	<u>4,177,583</u>	<u>6,386,839</u>	<u>(5,250,698)</u>	<u>5,313,724</u>
Total capital assets, not being depreciated	<u>4,807,366</u>	<u>6,386,839</u>	<u>(5,250,698)</u>	<u>5,943,507</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,306,997	3,500	-	3,310,497
Buildings and improvements	91,323,244	5,352,485	-	96,675,729
Furniture, fixtures, and equipment	13,954,821	311,201	(80,459)	14,185,563
Vehicles	<u>2,800,977</u>	<u>130,852</u>	<u>-</u>	<u>2,931,829</u>
Total capital assets, being depreciated	<u>111,386,039</u>	<u>5,798,038</u>	<u>(80,459)</u>	<u>117,103,618</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,859,304)	(131,505)	-	(1,990,809)
Buildings and improvements	(43,367,964)	(1,960,385)	-	(45,328,349)
Furniture and equipment	(8,693,235)	(2,155,135)	79,415	(10,768,955)
Vehicles	<u>(1,892,331)</u>	<u>(148,655)</u>	<u>-</u>	<u>(2,040,986)</u>
Total accumulated depreciation	<u>(55,812,834)</u>	<u>(4,395,680)</u>	<u>79,415</u>	<u>(60,129,099)</u>
Governmental activities capital assets, net	<u>\$ 60,380,571</u>	<u>\$ 7,789,197</u>	<u>\$(5,251,742)</u>	<u>\$ 62,918,026</u>

During fiscal year 2018, the District received a donated modular play system with an acquisition value of \$16,843.

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 3,754,834
Special	46,754
<u>Support services:</u>	
Pupil	12,618
Instructional staff	44,096
Administration	14,993
Operations and maintenance	229,928
Pupil transportation	139,253
<u>Operation of non-instructional:</u>	
Food service operations	2,513
Other non-instructional services	448
Extracurricular activities	<u>150,243</u>
Total depreciation expense	<u>\$ 4,395,680</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

On September 7, 2015, the District entered into a master lease agreement to finance various computer hardware. As part of this master agreement, the District entered into two separate lease agreements in the amounts of \$2,954,716 and \$2,069,716, dated September 7, 2015 and May 26, 2016, respectively. These leases meet the criteria of a capital lease as defined by GASB which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances. These expenditures are reflected as program/function expenditures on a budgetary basis. 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 2018 was \$1,674,810. Accumulated depreciation was \$4,055,391 as of June 30, 2018.

At inception, a liability was recorded on the statement of net position for the present value of the future minimum lease payments required under the lease agreements. Principal payments in the 2018 fiscal year totaled \$1,247,154. Of this total, \$512,224 is reflected as debt service principal retirement in the general fund and \$734,930 is reflected as debt service principal retirement in the permanent improvement fund (a nonmajor governmental fund). Principal payments are reclassified as a reduction to the long-term liabilities reported on the statement of net position. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 1,274,311
2020	<u>524,460</u>
	1,798,771
Less: amount representing interest	<u>(19,798)</u>
Present value of minimum lease payments	<u>\$ 1,778,973</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the year consist of the following. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>07/01/17</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/18</u>	Amount Due in <u>One Year</u>
<u>Governmental activities:</u>					
<u>General obligation bonds:</u>					
Series 2013 refunding:					
Serial bonds	\$ 15,745,000	\$ -	\$ (2,375,000)	\$ 13,370,000	\$ 2,450,000
Premium	1,073,215	-	(306,705)	766,510	-
Series 2018A improvement:					
Serial bonds	-	118,605,000	-	118,605,000	7,830,000
Term bonds	-	45,455,000	-	45,455,000	-
Premium	-	19,337,434	(209,620)	19,127,814	-
Series 2018B improvement:					
Term bonds	-	65,940,000	-	65,940,000	-
Total general obligation bonds	<u>16,818,215</u>	<u>249,337,434</u>	<u>(2,891,325)</u>	<u>263,264,324</u>	<u>10,280,000</u>
<u>Notes payable:</u>					
Series 2016 tax anticipation	3,755,000	-	(730,000)	3,025,000	740,000
Series 2017 improvement	-	9,500,000	(9,500,000)	-	-
Total notes payable	<u>3,755,000</u>	<u>9,500,000</u>	<u>(10,230,000)</u>	<u>3,025,000</u>	<u>740,000</u>
<u>Net pension liability:</u>					
STRS	133,385,915	-	(39,873,407)	93,512,508	-
SERS	24,136,992	-	(5,574,435)	18,562,557	-
Total net pension liability	<u>157,522,907</u>	<u>-</u>	<u>(45,447,842)</u>	<u>112,075,065</u>	<u>-</u>
<u>Net OPEB liability:</u>					
STRS	21,311,237	-	(5,952,449)	15,358,788	-
SERS	9,459,044	-	(989,658)	8,469,386	-
Total net OPEB liability	<u>30,770,281</u>	<u>-</u>	<u>(6,942,107)</u>	<u>23,828,174</u>	<u>-</u>
<u>Other long-term obligations:</u>					
Capital lease	3,026,127	-	(1,247,154)	1,778,973	1,258,624
Compensated absences	6,521,565	1,444,059	(1,187,403)	6,778,221	1,318,223
Total other long-term obligations	<u>9,547,692</u>	<u>1,444,059</u>	<u>(2,434,557)</u>	<u>8,557,194</u>	<u>2,576,847</u>
Total governmental activities	<u>\$ 218,414,095</u>	<u>\$ 260,281,493</u>	<u>\$ (67,945,831)</u>	<u>\$ 410,749,757</u>	<u>\$ 13,596,847</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds and Notes

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

Series 2013 Refunding Bonds

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

The refunding issue was comprised of current interest bonds, par value \$19,220,00. The interest rates on the current interest bonds range from 0.25 to 5.125 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

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

Series 2018A Improvement Bonds

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

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

Mandatory Sinking Fund Redemption - The Series 2018A term bonds maturing on December 1, 2048 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Optional Redemption - The Series 2018A serial bonds maturing after December 1, 2027 are subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the District shall determine, on any date on or after December 1, 2027, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Series 2018B Improvement Bonds

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

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

Mandatory Sinking Fund Redemption - The Series 2018B term bonds maturing on December 1, 2055 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2049	\$ 8,335,000
2050	8,675,000
2051	9,025,000
2052	9,390,000
2053	9,770,000
2054	10,165,000

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Series 2016 Tax Anticipation Notes

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

<u>Fiscal Year Ended</u>	<u>Tax Anticipation Note Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 740,000	\$ 36,904	\$ 776,904
2020	750,000	26,549	776,549
2021	760,000	16,054	776,054
2022	<u>775,000</u>	<u>5,386</u>	<u>780,386</u>
Total	<u>\$ 3,025,000</u>	<u>\$ 84,893</u>	<u>\$ 3,109,893</u>

Series 2017 General Obligation Bond Anticipation Notes

On December 28, 2017, the District issued \$9,500,000 in general obligation bond anticipation school facilities and construction notes (Series 2017 notes). The proceeds were used to start the construction project as detailed in the Series 2018A improvement bond disclosure above. The notes were issued at a premium of \$43,320. The Series 2017 notes bear an interest rate of 3.125% and matured on April 1, 2018. The Series 2017 notes were retired using the proceeds of the Series 2018A improvement bonds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 10,280,000	\$ 10,310,740	\$ 20,590,740
2020	9,745,000	9,972,165	19,717,165
2021	8,255,000	9,688,005	17,943,005
2022	4,095,000	9,491,672	13,586,672
2023	4,290,000	9,298,458	13,588,458
2024 - 2028	26,570,000	42,792,228	69,362,228
2029 - 2033	21,235,000	36,609,628	57,844,628
2034 - 2038	22,720,000	32,040,577	54,760,577
2039 - 2043	27,785,000	26,911,228	54,696,228
2044 - 2048	34,490,000	19,902,977	54,392,977
2049 - 2053	43,390,000	10,816,275	54,206,275
2054 - 2056	30,515,000	1,897,770	32,412,770
Total	<u>\$ 243,370,000</u>	<u>\$ 219,731,723</u>	<u>\$463,101,723</u>

Net Pension Liability

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

Net OPEB Liability

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

Capital Lease Obligations

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

Compensated Absences

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

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The District's overall debt margin was (\$38,807,952) with an unvoted debt margin of \$1,943,122 at June 30, 2018. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	1,027,933
Current year qualifying expenditures	(304,459)
Current year offsets	<u>(723,474)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

NOTE 11 - INTERFUND TRANSACTIONS

A. Due to/from balances consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,189
Nonmajor governmental funds	General fund	2,511
Nonmajor governmental funds	Nonmajor governmental funds	<u>20,260</u>
		<u>\$ 23,960</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 87,114</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- C.** Interfund transfers for the fiscal year ended June 30, 2018, consisted of the following, as reported on the fund statements:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 78,312
Nonmajor governmental funds	Debt service fund	<u>777,121</u>
		<u>\$ 855,433</u>

Interfund transfers represent the use of unrestricted revenues collected in the general fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the permanent improvement fund (a nonmajor governmental fund) to the debt service fund was to move tax anticipation note principal and interest to the debt service fund for the payment on the debt.

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. Interfund transfers between governmental funds and enterprise funds are reported on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 12 - RISK MANAGEMENT

A. Property, Liability, and Fleet

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the District contracted with an independent insurance provider for general liability insurance with an \$8 million umbrella coverage.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 - RISK MANAGEMENT - (Continued)

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.

B. Workers' Compensation

On September 1, 2012 the District became self-insured in connection with a formalized risk management program in an effort to control claims and costs related to injured workers' compensation. The District pays into the self-insured fund, which is accounted for in the general fund, a percentage of the covered employee's salary. The rate is fixed and determined annually based on claims experience. The rate for fiscal year 2018 was 0.12% and is paid by the fund from which the employee is paid. The District contracts with a third party to manage claims and also purchased stop loss coverage for claims exceeding \$375,000. A claims liability of \$13,491 was recorded at June 30, 2018. 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, 2018.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2018	\$ 57,976	\$ 23,095	\$ (67,580)	\$ 13,491
2017	50,700	78,782	(71,506)	57,976
2016	67,319	72,525	(89,144)	50,700

C. Employee Health Insurance

Effective January 1, 2014, all enrolled employees are covered under the District's self-insurance plan for health insurance, which is accounted for in the General Fund. The District pays various percentages of premium contributions based on employee classification. These costs are allocated to the fund that pays the salary of the enrolled employee, and are accounted for as expenditures in the paying funds and charges for services in the General Fund. The claims liability of \$593,000 at June 30, 2018, 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, 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - RISK MANAGEMENT - (Continued)

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:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2018	\$ 661,000	\$ 10,314,089	\$(10,382,089)	\$ 593,000
2017	751,915	9,510,427	(9,601,342)	661,000
2016	1,270,000	8,822,198	(9,340,283)	751,915

NOTE 13 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - CONTINGENCIES - (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 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 liability of the District.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was \$1,472,928 for fiscal year 2018. Of this amount, \$35,883 is reported as intergovernmental payable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$6,432,729 for fiscal year 2018. Of this amount, \$948,571 is reported as intergovernmental payable.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected 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	0.32978190%	0.39848791%	
Proportion of the net pension liability current measurement date	<u>0.31068190%</u>	<u>0.39365045%</u>	
Change in proportionate share	<u>(0.01910000)%</u>	<u>(0.00483746)%</u>	
Proportionate share of the net pension liability	\$ 18,562,557	\$ 93,512,508	\$ 112,075,065
Pension expense	\$ (2,038,535)	\$ (36,439,685)	\$ (38,478,220)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2018, 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	\$ 798,867	\$ 3,611,013	\$ 4,409,880
Changes of assumptions	959,884	20,452,213	21,412,097
Difference between District contributions and proportionate share of contributions/ change in proportionate share	306,065	335,912	641,977
District contributions subsequent to the measurement date	1,472,928	6,432,729	7,905,657
Total deferred outflows of resources	\$ 3,537,744	\$ 30,831,867	\$ 34,369,611
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 753,674	\$ 753,674
Net difference between projected and actual earnings on pension plan investments	88,114	3,086,023	3,174,137
Difference between District contributions and proportionate share of contributions/ change in proportionate share	1,191,304	1,149,444	2,340,748
Total deferred inflows of resources	\$ 1,279,418	\$ 4,989,141	\$ 6,268,559

\$7,905,657 Reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ 485,762	\$ 4,048,716	\$ 4,534,478
2020	690,031	8,246,767	8,936,798
2021	42,335	5,768,256	5,810,591
2022	(432,730)	1,346,258	913,528
Total	\$ 785,398	\$ 19,409,997	\$ 20,195,395

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 14 - 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, 2017, 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	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 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 most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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 Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u>100.00 %</u>	

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 25,760,005	\$ 18,562,557	\$ 12,533,226

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 134,046,998	\$ 93,512,508	\$ 59,368,276

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$179,585.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$234,088 for fiscal year 2018. Of this amount, \$180,864 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.33185322%	0.39848791%	
Proportion of the net OPEB liability current measurement date	<u>0.31558180%</u>	<u>0.39365045%</u>	
Change in proportionate share	<u>(0.01627142)%</u>	<u>(0.00483746)%</u>	
Proportionate share of the net OPEB liability	\$ 8,469,386	\$ 15,358,788	\$ 23,828,174
OPEB expense	\$ 373,587	\$ (4,723,631)	\$ (4,350,044)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 886,605	\$ 886,605
District contributions subsequent to the measurement date	<u>234,088</u>	<u>-</u>	<u>234,088</u>
Total deferred outflows of resources	<u>\$ 234,088</u>	<u>\$ 886,605</u>	<u>\$ 1,120,693</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 22,366	\$ 656,470	\$ 678,836
Changes of assumptions	803,701	1,237,202	2,040,903
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>363,738</u>	<u>221,751</u>	<u>585,489</u>
Total deferred inflows of resources	<u>\$ 1,189,805</u>	<u>\$ 2,115,423</u>	<u>\$ 3,305,228</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$234,088 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (428,576)	\$ (259,509)	\$ (688,085)
2020	(428,576)	(259,509)	(688,085)
2021	(327,060)	(259,509)	(586,569)
2022	(5,591)	(259,507)	(265,098)
2023	(2)	(95,391)	(95,393)
Thereafter	<u>-</u>	<u>(95,393)</u>	<u>(95,393)</u>
Total	<u>\$ (1,189,805)</u>	<u>\$ (1,228,818)</u>	<u>\$ (2,418,623)</u>

Actuarial Assumptions - SERS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 10,227,862	\$ 8,469,386	\$ 7,076,224

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 6,872,272	\$ 8,469,386	\$ 10,583,194

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 20,618,926	\$ 15,358,788	\$ 11,201,560
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 10,670,628	\$ 15,358,788	\$ 21,528,956

NOTE 16 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 650,791
Building	18,252,577
Nonmajor governmental	940,786
Total	\$ 19,844,154

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 71,600,000	\$ 78,780,000	\$ 78,807,925	\$ 27,925
Payments in lieu of taxes	1,250,000	1,297,000	1,297,261	261
Tuition	65,000	118,000	121,646	3,646
Earnings on investments	450,000	900,000	1,044,320	144,320
Extracurricular	183,000	183,000	193,500	10,500
Rental income	350,000	420,000	421,362	1,362
Contributions and donations	-	-	5,000	5,000
Other local revenues	20,000	125,188	125,598	410
Intergovernmental - state	13,087,515	13,289,415	13,291,336	1,921
Intergovernmental - federal	50,000	1,618	1,618	-
Total revenues	87,055,515	95,114,221	95,309,566	195,345
Expenditures:				
Current:				
Instruction:				
Regular	45,259,185	43,599,859	43,595,913	3,946
Special	11,182,171	11,910,166	11,907,880	2,286
Vocational	164,998	216,526	216,508	18
Student intervention services	1,709,867	1,855,057	1,854,670	387
Support services:				
Pupil	6,117,380	6,341,071	6,338,094	2,977
Instructional staff	4,479,689	4,541,722	4,538,618	3,104
Board of education	50,534	52,220	52,166	54
Administration	5,401,251	5,628,126	5,624,138	3,988
Fiscal	2,253,893	2,103,706	2,103,145	561
Business	620,502	616,191	615,919	272
Operations and maintenance	7,414,781	7,457,712	7,455,330	2,382
Pupil transportation	1,763,140	1,809,943	1,809,276	667
Central	1,430,099	1,445,853	1,444,630	1,223
Operation of non-instructional services:				
Food service operations	18,272	47,040	46,927	113
Extracurricular activities	1,019,299	1,404,291	1,402,830	1,461
Facilities acquisition and construction	25,455	18,751	18,745	6
Total expenditures	88,910,516	89,048,234	89,024,789	23,445
Excess of revenues (under) expenditures	(1,855,001)	6,065,987	6,284,777	218,790
Other financing sources (uses):				
Transfers (out)	(150,000)	(78,320)	(78,312)	8
Advances in	85,420	88,798	88,798	-
Advances (out)	(50,000)	(88,310)	(88,308)	2
Refund of prior year's receipts	(50,000)	(5,580)	(5,572)	8
Refund of prior year's expenditures	20,000	56,000	56,912	912
Total other financing sources (uses)	(144,580)	(27,412)	(26,482)	930
Net change in fund balance	(1,999,581)	6,038,575	6,258,295	219,720
Fund balance at beginning of year	42,379,211	42,379,211	42,379,211	-
Prior year encumbrances appropriated	770,412	770,412	770,412	-
Fund balance at end of year	\$ 41,150,042	\$ 49,188,198	\$ 49,407,918	\$ 219,720

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

NOTES TO THE BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 2018 permanent appropriation measure at its September 12, 2017 regular meeting. The Board of Education adopted at the June 28, 2017 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

B. RECONCILING BUDGETARY BASIS TO GAAP BASIS

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

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

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

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

NOTES TO THE BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Net Change in Fund Balance

Budget basis	\$ 6,258,295
Net adjustment for revenue accruals	(510,167)
Net adjustment for expenditure accruals	(557,153)
Net adjustment for other sources/uses	(51,830)
Funds budgeted elsewhere	931,868
Adjustment for encumbrances	787,092
GAAP basis	<u>\$ 6,858,105</u>

Certain funds that are legally budgeted as separate funds are considered part of the general fund on a GAAP basis. These include the public school support fund, the uniform school supplies fund, the medical self-insurance fund, the workers' compensation self-insurance fund, and the employee benefits fund.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.31068190%	0.32978190%	0.34206810%	0.36270800%	0.36270800%
District's proportionate share of the net pension liability	\$ 18,562,557	\$ 24,136,992	\$ 19,518,737	\$ 18,356,445	\$ 21,569,081
District's covered payroll	\$ 10,372,829	\$ 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 payroll	178.95%	235.36%	190.80%	174.17%	203.56%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.39365045%	0.39848791%	0.39668515%	0.39700000%	0.39700000%
District's proportionate share of the net pension liability	\$ 93,512,508	\$ 133,385,915	\$ 109,632,172	\$ 96,563,911	\$ 115,023,848
District's covered payroll	\$ 43,493,493	\$ 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 payroll	215.00%	317.78%	264.89%	238.06%	250.68%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,472,928	\$ 1,452,196	\$ 1,435,743	\$ 1,357,527
Contributions in relation to the contractually required contribution	<u>(1,472,928)</u>	<u>(1,452,196)</u>	<u>(1,435,743)</u>	<u>(1,357,527)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,910,578	\$ 10,372,829	\$ 10,255,307	\$ 10,299,901
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,460,779	\$ 1,466,490	\$ 1,451,961	\$ 1,428,021	\$ 1,366,593	\$ 1,283,480
<u>(1,460,779)</u>	<u>(1,466,490)</u>	<u>(1,451,961)</u>	<u>(1,428,021)</u>	<u>(1,366,593)</u>	<u>(1,283,480)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,539,531	\$ 10,596,026	\$ 10,795,249	\$ 11,360,549	\$ 10,093,006	\$ 13,043,496
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	\$ 6,432,729	\$ 6,089,089	\$ 5,876,397	\$ 5,794,243
Contributions in relation to the contractually required contribution	(6,432,729)	(6,089,089)	(5,876,397)	(5,794,243)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 45,948,064	\$ 43,493,493	\$ 41,974,264	\$ 41,387,450
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 5,273,104	\$ 5,965,092	\$ 5,828,724	\$ 5,860,956	\$ 5,826,576	\$ 5,761,764
<u>(5,273,104)</u>	<u>(5,965,092)</u>	<u>(5,828,724)</u>	<u>(5,860,956)</u>	<u>(5,826,576)</u>	<u>(5,761,764)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 40,562,338	\$ 45,885,323	\$ 44,836,338	\$ 45,084,277	\$ 44,819,815	\$ 44,321,262
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.31558180%	0.33185322%
District's proportionate share of the net OPEB liability	\$ 8,469,386	\$ 9,459,044
District's covered payroll	\$ 10,372,829	\$ 10,255,307
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.65%	92.24%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.39365045%	0.39848791%
District's proportionate share of the net OPEB liability	\$ 15,358,788	\$ 21,311,237
District's covered payroll	\$ 43,493,493	\$ 41,974,264
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.31%	50.77%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 234,088	\$ 173,440	\$ 75,899	\$ 76,219
Contributions in relation to the contractually required contribution	<u>(234,088)</u>	<u>(173,440)</u>	<u>(75,899)</u>	<u>(76,219)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,910,578	\$ 10,372,829	\$ 10,255,307	\$ 10,299,901
Contributions as a percentage of covered payroll	2.15%	1.67%	0.74%	0.74%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 94,855	\$ 94,274	\$ 134,825	\$ 277,953	\$ 257,627	\$ 561,235
<u>(94,855)</u>	<u>(94,274)</u>	<u>(134,825)</u>	<u>(277,953)</u>	<u>(257,627)</u>	<u>(561,235)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,539,531	\$ 10,596,026	\$ 10,795,249	\$ 11,360,549	\$ 10,093,006	\$ 13,043,496
0.90%	0.89%	1.25%	2.45%	2.55%	4.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,948,064	\$ 43,493,493	\$ 41,974,264	\$ 41,387,450
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 417,739	\$ 426,078	\$ 416,337	\$ 418,640	\$ 416,184	\$ 411,555
<u>(417,739)</u>	<u>(426,078)</u>	<u>(416,337)</u>	<u>(418,640)</u>	<u>(416,184)</u>	<u>(411,555)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 40,562,338	\$ 45,885,323	\$ 44,836,338	\$ 45,084,277	\$ 44,819,815	\$ 44,321,262
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

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

(Continued)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

THIS PAGE INTENTIONALLY LEFT BLANK.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Donation)	10.555	\$ 40,133
National School Lunch Program		
Cash Assistance:		
National School Lunch Program	10.555	\$ 64,615
Total Child Nutrition Cluster		<u>\$ 104,748</u>
Total U.S. Department of Agriculture		<u>\$ 104,748</u>
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
Title I Grants to Local Educational Agencies	84.010	<u>\$ 376,099</u>
Special Education Cluster:		
Special Education Grants to States	84.027	\$ 1,259,265
Special Education Preschool Grants	84.173	\$ 26,410
Total Special Education Cluster		<u>\$ 1,285,675</u>
English Language Acquisition State Grants	84.365	<u>\$ 32,691</u>
Improving Teacher Quality State Grants	84.367	<u>\$ 101,624</u>
Student Support and Academic Enrichment Program	84.424	<u>\$ 10,942</u>
Total U.S. Department of Education		<u>\$ 1,807,031</u>
Total Expenditures of Federal Awards		<u>\$ 1,911,779</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, 2018**

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, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. 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, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio, (the District) as of and for the ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated, November 20, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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 20, 2018



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 the 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, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

November 20, 2018

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

This page intentionally left blank.



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 27, 2018