



OHIO AUDITOR OF STATE
KEITH FABER



**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2022**

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	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	21
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund	74
Notes to the Budgetary Required Supplementary Information	75
Schedule of the District's Proportionate Share of the Net Pension Liability (School Employees Retirement System)	78
Schedule of the District's Proportionate Share of the Net Pension Liability (State Teachers Retirement System).....	80
Schedule of the District's Pension Contributions (School Employees Retirement System)	82
Schedule of the District's Pension Contributions (State Teachers Retirement System).....	84
Schedule of the District's Proportionate Share of the Net OPEB Liability/Asset (School Employees Retirement System)	86
Schedule of the District's Proportionate Share of the Net OPEB Liability/Asset (State Teachers Retirement System).....	88

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2022

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of the District's OPEB Contributions (School Employees Retirement System)	90
Schedule of the District's OPEB Contributions (State Teachers Retirement System).....	92
Notes to Required Supplementary Information	94
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 Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	101
Schedule of Findings.....	105

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2022

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

The management's discussion and analysis of the Upper Arlington City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

In total, net position of governmental activities decreased \$3,521,683 which represents a 7.09% decrease from 2021's net position.

The District has three major funds: the general fund, debt service fund and building fund. The general fund had \$100,436,982 in revenues and other financing sources and \$107,505,940 in expenditures and other financing uses. The general fund's fund balance decreased \$7,068,958 from \$86,338,035 to \$79,269,077.

The debt service fund had \$102,469,704 in revenues and other financing sources and \$101,046,615 in expenditures and other financing uses. The fund balance of the debt service fund increased \$1,423,089 from \$12,306,939 to \$13,730,028.

The building fund had \$36,179 in revenues and \$31,210,427 in expenditures. The fund balance of the building fund decreased \$31,174,248 from \$32,980,971 to \$1,806,723.

Enrollment continues to grow and totaled approximately 6,200 students in 2020-21, which is a 7% increase in enrollment over the last 10 years. Enrollment projections indicate up to a 24% increase in enrollment in the next 10 years. The enrollment increase is related to housing turnover thus impacting the demographics of the District.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-71 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 74-96 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. Current and other assets, net capital assets, long-term liabilities, and deferred inflows of resources for 2021 have been restated to reflect the implementation of GASB No. 87 (see Note 3.A.). The table below provides a summary of the District's net position at June 30, 2022 and June 30, 2021.

	Net Position	
	Governmental Activities <u>2022</u>	Restated Governmental Activities <u>2021</u>
<u>Assets</u>		
Current and other assets	\$ 200,771,344	\$ 239,484,747
Net OPEB asset	8,979,386	7,343,149
Capital assets, net	<u>268,356,187</u>	<u>249,902,606</u>
Total assets	<u>478,106,917</u>	<u>496,730,502</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charge on debt refunding	6,270,738	107,249
Pension	29,402,866	23,466,212
OPEB	<u>2,696,409</u>	<u>3,232,704</u>
Total deferred outflows of resources	<u>38,370,013</u>	<u>26,806,165</u>
<u>Liabilities</u>		
Current liabilities	20,330,452	24,289,659
Long-term liabilities:		
Due within one year	9,490,941	7,515,914
Due in more than one year:		
Net pension liability	66,321,863	123,190,619
Net OPEB liability	6,273,936	7,553,432
Other amounts	<u>233,594,286</u>	<u>234,882,531</u>
Total liabilities	<u>336,011,478</u>	<u>397,432,155</u>
<u>Deferred Inflows of Resources</u>		
Property taxes and PILOTs levied for next year	64,957,232	61,665,000
Leases	983,397	1,039,280
Pension	54,224,902	1,100,523
OPEB	<u>14,133,927</u>	<u>12,612,032</u>
Total deferred inflows of resources	<u>134,299,458</u>	<u>76,416,835</u>
<u>Net Position</u>		
Net investment in capital assets	41,721,949	53,511,444
Restricted	23,634,237	24,505,973
Unrestricted (deficit)	<u>(19,190,192)</u>	<u>(28,329,740)</u>
Total net position	<u>\$ 46,165,994</u>	<u>\$ 49,687,677</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2022, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$46,165,994.

Current and other assets of the District decreased \$37,674,123 as the District continued to spend cash and cash equivalents generated by the Series 2018A and Series 2018B school improvement bond issue on the Master Plan construction project. During fiscal 2022, the District reported capital asset additions of \$36,077,876.

At year-end, capital assets represented 56.13% of total assets. Capital assets include land, construction in progress, intangible right-to-use leased equipment, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2022, was \$41,721,949. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The net investment in capital assets decreased from June 30, 2021 to June 30, 2022 primarily due to approximately \$10.8 million in net disposals related to the old Wickliffe Elementary School and the old High School as part of the Master Plan construction project.

Current liabilities decreased as contracts payable and retainage payable both decreased from the prior year by a total of approximately \$4.4 million. The District is concluding its Master Plan construction project. Long-term liabilities decreased in large part to a substantial decrease in the net pension liability. The net pension liability decreased \$56,868,756 or 46.16% and deferred inflows of resources related to pension increased \$53,124,379. These changes were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Net investment income on investments at both pension systems exceeded estimates for the fiscal year 2021 measurement that are used for the fiscal year 2022 reporting which caused a large increase in their respective fiduciary net positions.

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

	Governmental Activities <u>2022</u>	Governmental Activities <u>2021</u>
Total net position (with GASB 68 and GASB 75)	\$ 46,165,994	\$ 49,687,677
GASB 68 calculations:		
Add: Deferred inflows related to pension	54,224,902	1,100,523
Add: Net pension liability	66,321,863	123,190,619
Less: Deferred outflows related to pension	(29,402,866)	(23,466,212)
GASB 75 calculations:		
Add: Deferred inflows related to OPEB	14,133,927	12,612,032
Add: Net OPEB liability	6,273,936	7,553,432
Less: Net OPEB asset	(8,979,386)	(7,343,149)
Less: Deferred outflows related to OPEB	(2,696,409)	(3,232,704)
Total net position (without GASB 68 and GASB 75)	<u>\$ 146,041,961</u>	<u>\$ 160,102,218</u>

A portion of the District's net position, \$23,634,237, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$19,190,192. Unrestricted net position improved primarily due the reporting of an approximate \$10.5 million decrease in expenses related to pension and OPEB resulting from the reporting of the District's proportionate share of the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) financial activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

The District has reclassified 2021 investment earnings and the (decrease) in the fair value of investments to conform to 2022 presentation. The table below shows the change in net position for fiscal years 2022 and 2021.

	Change in Net Position	
	Governmental Activities <u>2022</u>	Governmental Activities <u>2021</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 5,417,931	\$ 2,477,551
Operating grants and contributions	8,904,480	5,158,650
Capital grants and contributions	279,413	42,333
General revenues:		
Property taxes	99,750,801	132,598,714
Payment in lieu of taxes	1,675,889	2,552,251
Grants and entitlements	13,045,435	13,476,731
Capital donations not restricted	295,900	903,968
Investment earnings	690,801	2,666,966
(Decrease) in fair value of investments	(1,835,809)	(2,360,814)
Other	<u>3,620,368</u>	<u>3,588,480</u>
Total revenues	<u>131,845,209</u>	<u>161,104,830</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	65,468,254	66,564,962
Special	17,360,192	18,953,457
Vocational	119,764	145,236
Other	-	210,204
Support services:		
Pupil	7,534,055	8,570,899
Instructional staff	4,509,253	5,289,397
Board of education	36,850	37,947
School administration	6,581,182	7,281,927
Fiscal	2,455,937	2,707,473
Business	629,375	700,470
Operations and maintenance	8,055,323	8,435,833
Pupil transportation	1,860,885	2,130,992
Central	4,148,689	2,287,803
General administration	-	23,023
Operation of non-instructional services:		
Food service operations	2,749,808	1,378,893
Community services	2,688,723	2,590,163
Extracurricular activities	2,945,923	2,613,544
Interest and fiscal charges	<u>8,222,679</u>	<u>9,017,081</u>
Total expenses	<u>135,366,892</u>	<u>138,939,304</u>
Change in net position	(3,521,683)	22,165,526
Net position at beginning of year	<u>49,687,677</u>	<u>27,522,151</u>
Net position at end of year	<u>\$ 46,165,994</u>	<u>\$ 49,687,677</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

Governmental Activities

Net position of the District's governmental activities decreased \$3,521,683. Total governmental expenses of \$135,366,892 were offset by program revenues of \$14,601,824 and general revenues of \$117,243,385. Program revenues supported 10.79% of the total governmental expenses. Charges for services program revenues increased primarily due to (1) more tuition generated by the early childhood program and school age care program, and (2) increased participation in the food service program and student related activities and extracurricular activities. Each of these areas increased as conditions improved from the COVID-19 pandemic. Operating grants and contributions increased primarily due to increased federal grant funding of approximately \$1.6 million related to Elementary and Secondary School Emergency Relief (ESSER) and an increase of approximately \$2.5 million related to food service operations.

The primary sources of revenue for governmental activities are derived from property taxes, payments in lieu of taxes, and unrestricted grants and entitlements from the State. These revenue sources account for 86.82% of total governmental revenue. The most significant decrease was in property tax revenue primarily attributed to a decrease of property taxes collected by June 30, 2022, and available for advance to the District. Property taxes collected and available to the District are reported as revenue under GAAP. On May 4, 2020, and in response to the COVID-19 pandemic, Franklin County, Ohio received approval from the Ohio Tax Commissioner to extend the due date of the second half 2019 real estate tax payments for 45 days making the new due date August 5, 2020. As a result of the extension, the amount of property taxes collected by Franklin County and available as advance to the District at June 30, 2020 decreased dramatically. For 2021 and 2022, no extension of the due date was granted resulting in a substantial increase in the amount of taxes collected and available for advance by June 30, 2021 and June 30, 2022, when compared to June 30, 2020. The amounts of taxes collected and available as advance were \$38,959,997, \$40,039,857, and \$6,990,147 at June 30, 2022, June 30, 2021, and June 30, 2020, respectively. The fluctuation in property tax revenues resulted from timing differences of when property tax receipts are collected by Franklin County.

Capital donations not restricted decreased as new contributions to the Legacy Campaign slowed in fiscal year 2022. Donations are recognized in the year they are contributed. The Legacy Campaign supports the District's various construction projects. Investment earnings decreased as the District spent funds on the Master Plan construction project thus having less money invested in fiscal year 2022. In addition, GAAP requires certain investments to be reported at fair value rather than cost. Fluctuations in the fair value of investments are reported as an increase (decrease) in fair value of investments. The fair value of investments have decreased as interest rates continue to rise. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Overall, expenses of the governmental activities decreased \$3,572,412 or 2.57%. This decrease can be attributed to the net of three events. The first is an approximate \$16.1 million decrease in pension expense from 2021 to 2022. This decrease was the result of a decrease in expenses incurred at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). The second is an approximate \$10.8 million increase in expenses due to the reporting of a loss of the disposal of the old Wickliffe Elementary School and the old High School as part of the Master Plan construction project. The third is a \$1,860,886 increase in central expenses primarily due to increased medical claims activity reported by the District's self-insurance program.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

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, 2022 and June 30, 2021 without the application of GASB 68 and GASB 75. This is an important exercise, as the State Pension Systems (STRS & SERS) collect, hold and distributes pensions to our employees, not the District.

	<u>Governmental Activities 2022</u>	<u>Governmental Activities 2021</u>
Total change in net position (with GASB 68 and GASB 75)	\$ (3,521,683)	\$ 22,165,526
GASB 68 calculations:		
Add: Pension expense	(153,611)	15,937,185
Less: Current year contributions	(9,527,420)	(8,947,968)
GASB 75 calculations:		
Add: OPEB expense	(625,342)	(364,108)
Less: Current year contributions	<u>(232,201)</u>	<u>(212,085)</u>
Total change in net position (without GASB 68 and GASB 75)	<u>\$ (14,060,257)</u>	<u>\$ 28,578,550</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 and OPEB expense reported under GASB 68 and GASB 75 makes it difficult to compare financial information between years as pension and OPEB expense are components of program expenses reported on the statement of activities.

Governmental Activities

	<u>Total Cost of Services 2022</u>	<u>Net Cost of Services 2022</u>	<u>Total Cost of Services 2021</u>	<u>Net Cost of Services 2021</u>
Program expenses				
Instruction:				
Regular	\$ 65,468,254	\$ 63,072,511	\$ 66,564,962	\$ 65,904,434
Special	17,360,192	15,109,233	18,953,457	16,469,082
Vocational	119,764	113,799	145,236	130,197
Other	-	-	210,204	184,607
Support services:				
Pupil	7,534,055	7,524,485	8,570,899	8,123,535
Instructional staff	4,509,253	4,410,748	5,289,397	5,182,642
Board of education	36,850	36,850	37,947	37,947
School administration	6,581,182	6,581,182	7,281,927	7,281,927
Fiscal	2,455,937	2,452,901	2,707,473	2,705,027
Business	629,375	629,077	700,470	700,121
Operations and maintenance	8,055,323	7,724,284	8,435,833	8,288,106
Pupil transportation	1,860,885	1,467,603	2,130,992	2,020,952
Central	4,148,689	4,134,134	2,287,803	2,276,742
General administration	-	-	23,023	23,023
Operations of non-instructional services:				
Food service operations	2,749,808	(934,107)	1,378,893	696,245
Community services	2,688,723	(918,515)	2,590,163	552,899
Extracurricular activities	2,945,923	1,138,204	2,613,544	1,666,203
Interest and fiscal charges	<u>8,222,679</u>	<u>8,222,679</u>	<u>9,017,081</u>	<u>9,017,081</u>
Total	<u>\$ 135,366,892</u>	<u>\$ 120,765,068</u>	<u>\$ 138,939,304</u>	<u>\$ 131,260,770</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent as 94.39% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.21%. 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 \$109,814,223 which is lower than last year's total of \$147,395,116. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2022 and 2021.

	Fund Balance <u>June 30, 2022</u>	Fund Balance <u>June 30, 2021</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 79,269,077	\$ 86,338,035	\$ (7,068,958)	(8.19) %
Debt service	13,730,028	12,306,939	1,423,089	11.56 %
Building	1,806,723	32,980,971	(31,174,248)	(94.52) %
Other Governmental	<u>15,008,395</u>	<u>15,769,171</u>	<u>(760,776)</u>	(4.82) %
Total	<u>\$ 109,814,223</u>	<u>\$ 147,395,116</u>	<u>\$ (37,580,893)</u>	(25.50) %

General Fund

During fiscal year 2022, the District's general fund balance decreased \$7,068,958. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2022 Amount</u>	<u>2021 Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Property taxes and payments in lieu of taxes	\$ 83,302,384	\$ 112,175,958	\$ (28,873,574)	(25.74) %
Earnings on investments	467,912	683,423	(215,511)	(31.53) %
(Decrease) in fair value of investments	(1,687,903)	(488,639)	(1,199,264)	245.43 %
Intergovernmental	12,718,334	13,291,355	(573,021)	(4.31) %
Other revenues	<u>4,174,204</u>	<u>3,963,192</u>	<u>211,012</u>	5.32 %
Total	<u>\$ 98,974,931</u>	<u>\$ 129,625,289</u>	<u>\$ (30,650,358)</u>	(23.65) %
<u>Expenditures</u>				
Instruction	\$ 66,261,198	\$ 64,535,577	\$ 1,725,621	2.67 %
Support services	37,354,319	34,108,605	3,245,714	9.52 %
Extracurricular activities	1,713,644	1,539,848	173,796	11.29 %
Community services	62,040	39,904	22,136	55.47 %
Capital outlay	1,462,051	-	1,462,051	100.00 %
Debt service	<u>575,588</u>	<u>525,000</u>	<u>50,588</u>	9.64 %
Total	<u>\$ 107,428,840</u>	<u>\$ 100,748,934</u>	<u>\$ 6,679,906</u>	6.63 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

Overall, revenues of the general fund decreased \$30,650,358 or 23.65%. The most significant decrease was in property tax revenue attributed to fluctuations in the amount of property taxes collected and available for advance to the District by June 30 as described on page 11. The amount of tax advance collected and available at fiscal year-end is reported as revenue in that fiscal year in the general fund in accordance with GAAP. For the general fund, the amounts of taxes collected and available as advance were \$32,251,960, \$33,132,432, and \$5,841,833 at June 30, 2022, June 30, 2021, and June 30, 2020, respectively. The fluctuations in these amounts are due to timing differences of when property tax receipts are collected by the Franklin County and are primarily responsible for the decrease in property tax revenue reported for 2022. On the budgetary basis of accounting (cash-basis), property tax receipts, including payments in lieu of taxes, for the fiscal year end June 30, 2022, June 30, 2021, and June 30, 2020, were \$82,506,967, \$84,315,686, and \$82,693,286, respectively.

GAAP requires certain investments to be reported at fair value rather than cost. Fluctuations in the fair value of investments are reported as an increase (decrease) in fair value of investments. The fair value of investments has decreased as interest rates continue to rise. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Intergovernmental revenues decreased due to a change in the State of Ohio funding formula related to Foundation payments.

Expenditures increased \$6,679,906 or 6.63%. Instructional services increased \$1,725,621 due to programs associated with enrollment growth, increased costs related to the instruction of students with special needs, and normal and customary increases in salaries and benefits costs. Extracurricular expenditures increased due to few activities occurring in fiscal year 2020 as a result of the COVID-19 pandemic. Capital outlay increased as the District entered into a new financed purchase obligation for the acquisition of technology equipment during the fiscal year. Debt service expenditures remained comparable to the prior year as the District continued to make required technology lease payments through the general fund.

Debt Service Fund

The debt service fund had \$102,469,704 in revenues and other financing sources and \$101,046,615 in expenditures and other financing uses. The fund balance of the debt service fund increased \$1,423,089 from \$12,306,939 to \$13,730,028. During fiscal year 2022, the District refunded a portion of the Series 2018A and Series 2018B school improvement bonds through the issuance of Series 2020A and Series 2020B refunding bonds. The issuance of the refunding bonds, the bond premium, issuance costs, and the payment to the refunded bond escrow agent, were all reported in the debt service fund. The refunding transaction is further described in Note 9 to the basic financial statements.

The debt service fund reported an decrease in property tax revenue attributed to fluctuations in the amount of property taxes collected and available for advance to the District by June 30 as described on page 11. The amount of tax advance collected and available at fiscal year-end is reported as revenue in that fiscal year in the debt service fund in accordance with GAAP. For the debt service fund, the amounts of taxes collected and available as advance were \$5,587,672, \$5,754,288, and \$940,494 at June 30, 2022, June 30, 2021, and June 30, 2020, respectively. The fluctuations in these amounts are due to timing differences of when property tax receipts are collected by the Franklin County and are primarily responsible for the increase in property tax revenue reported for 2022. On the budgetary basis of accounting (cash-basis), property tax receipts for the fiscal year end June 30, 2022, June 30, 2021, and June 30, 2020, were \$14,698,450, \$14,069,718, and \$13,127,747, respectively.

Building Fund

The building fund had \$36,179 in revenues and \$31,210,427 in expenditures. The fund balance of the building fund decreased \$31,174,248 from \$32,980,971 to \$1,806,723. The District established the building fund to account for the Series 2018A and Series 2018B School Facilities and Construction Bonds issued in fiscal year 2018. The decrease in fund balance is attributable to monies spent on the construction project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

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 2022, the District amended its general fund estimated revenue budget. For the general fund, original revenues and other financing sources and final revenues and other financing sources were \$99,952,992 and \$99,783,514, respectively. Actual revenues and other financing sources of \$100,045,008 were \$261,494 more than the final budgeted amounts. General fund actual expenditures plus other financing uses of \$104,914,407 were \$882,215 lower than final appropriations (appropriated expenditures plus other financing uses) of \$105,796,622. Original appropriations were \$107,192,186. Advances out to other funds and transfers out to other funds increased \$600,000 and \$1,247,125, respectively, from the original to final budget. There were no other significant modifications made between the original and final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the District had \$268,356,187 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table that follows shows June 30, 2022 balances compared to June 30, 2021:

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

	Governmental Activities	
	2022	2021
Land	\$ 629,783	\$ 629,783
Construction in progress	492,966	133,442,746
Intangible right-to-use:		
Leased equipment	152,009	199,700
Land improvements	6,096,078	5,214,318
Buildings and improvements	252,915,988	106,018,427
Furniture and equipment	6,570,454	3,261,110
Vehicles	1,498,909	1,136,522
Total	\$ 268,356,187	\$ 249,902,606

The overall increase of \$18,453,581 is primarily the result of additions of \$36,077,876 exceeding depreciation expense of \$6,844,625 and disposals of \$10,779,670 (net of accumulated depreciation). During fiscal year 2022, the District disposed of the old Wickliffe Elementary School, the old High School building, and equipment being replaced by the construction project.

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

Debt Administration

At June 30, 2022, the District had \$212,610,744 in general obligation bonds, notes and capital leases outstanding. The general obligation bond issues are comprised of current interest bonds and capital appreciation bonds. Of this total, \$7,715,355 is due within one year and \$204,895,389 is due in more than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The table below summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2022</u>	Governmental Activities <u>2021</u>
School improvement bonds - 2018A	\$ 81,710,000	\$ 143,600,000
School improvement bonds - 2018B	53,115,000	65,940,000
Refunding bonds - 2022A	60,684,884	-
Refunding bonds - 2022B	12,825,000	-
Refunding issue bonds - 2013	2,660,000	5,550,000
Notes payable - 2016	-	775,000
Financed purchase note payable	1,462,051	694,300
Leases payable	<u>153,809</u>	<u>199,700</u>
Total	<u>\$ 212,610,744</u>	<u>\$ 216,759,000</u>

During fiscal year 2022, the District issued Series 2022A refunding bonds to reduce total debt service requirements by \$9,102,856 resulting in an economic gain of \$479,779, and the District issued Series 2022B refunding bonds to reduce total debt service requirements by \$15,061,091 resulting in an economic gain of \$6,830,540.

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

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a cash reserve and continue a quality, comprehensive educational program even as District enrollment has increased. However, the District's greatest enrollment growth is anticipated in the next 10 years.

On November 8, 2022 the community approved a continuing 6.9 mil operating levy that will generate approximately \$16 million annually. The passage of this levy enhances the financial picture of the District which appears stable over the next 4 years according to the District's latest Five Year Forecast passed in November 2022. This Forecast shows a positive cash balance after reserves through 2026.

The property tax laws in Ohio create the need periodically to seek voter approval for additional operating funds. Tax revenues generated from voted tax levies do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Prior to November 2022, it had been five years since the last levy request in November 2017.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 90,367,971
Receivables:	
Property taxes	105,125,393
Payment in lieu of taxes	1,347,312
Accounts	1,648,317
Accrued interest	147,939
Intergovernmental	874,761
Leases	995,301
Prepayments	140,846
Materials and supplies inventory	45,410
Inventory held for resale	78,094
Net OPEB asset	8,979,386
Capital assets:	
Nondepreciable/amortizable capital assets	1,122,749
Depreciable/amortizable capital assets, net	267,233,438
Capital assets, net	268,356,187
Total assets	478,106,917
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	6,270,738
Pension	29,402,866
OPEB	2,696,409
Total deferred outflows of resources	38,370,013
Liabilities:	
Accounts payable	1,466,064
Contracts payable	2,017,364
Retainage payable	5,606,997
Accrued wages and benefits payable	8,374,523
Intergovernmental payable	2,068,246
Accrued interest payable	797,258
Long-term liabilities:	
Due within one year	9,490,941
Due in more than one year:	
Net pension liability	66,321,863
Net OPEB liability	6,273,936
Other amounts due in more than one year	233,594,286
Total liabilities	336,011,478
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	63,609,920
Payment in lieu of taxes levied for the next fiscal year	1,347,312
Leases	983,397
Pension	54,224,902
OPEB	14,133,927
Total deferred inflows of resources	134,299,458
Net position:	
Net investment in capital assets	41,721,949
Restricted for:	
Capital projects	14,788,991
Debt service	3,928,593
Food service operations	1,087,279
Extracurricular	1,081,817
Community activities	1,227,224
Locally funded programs	846,307
State funded programs	455,760
Federally funded programs	75,638
Other purposes	142,628
Unrestricted (deficit)	(19,190,192)
Total net position	\$ 46,165,994

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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Instruction:				
Regular	\$ 65,468,254	\$ 270,096	\$ 2,125,647	\$ -
Special	17,360,192	30,616	2,220,343	-
Vocational	119,764	-	5,965	-
Support services:				
Pupil	7,534,055	6,955	2,615	-
Instructional staff	4,509,253	-	98,505	-
Board of education	36,850	-	-	-
Administration	6,581,182	-	-	-
Fiscal	2,455,937	-	3,036	-
Business	629,375	5	293	-
Operations and maintenance	8,055,323	245,329	85,710	-
Pupil transportation	1,860,885	-	214,869	178,413
Central	4,148,689	14,190	365	-
Operation of non-instructional services:				
Food service operations	2,749,808	606,063	3,077,852	-
Community services	2,688,723	2,912,585	694,653	-
Extracurricular activities	2,945,923	1,332,092	374,627	101,000
Interest and fiscal charges	8,222,679	-	-	-
Totals	\$ 135,366,892	\$ 5,417,931	\$ 8,904,480	\$ 279,413

General revenues:

Property taxes levied for:

 General purposes

 Debt service

 Capital outlay

Payments in lieu of taxes

Grants and entitlements not restricted

 to specific programs

Capital donations not restricted

 to specific programs

Investment earnings

(Decrease) in fair value of investments

Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**Governmental
Activities**

\$	(63,072,511)
	(15,109,233)
	(113,799)
	(7,524,485)
	(4,410,748)
	(36,850)
	(6,581,182)
	(2,452,901)
	(629,077)
	(7,724,284)
	(1,467,603)
	(4,134,134)
	934,107
	918,515
	(1,138,204)
	(8,222,679)
	<hr/>
	(120,765,068)
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	82,211,898
	14,632,605
	2,906,298
	1,675,889
	13,045,435
	295,900
	690,801
	(1,835,809)
	3,620,368
	<hr/>
	117,243,385
	<hr/>
	(3,521,683)
	49,687,677
	<hr/>
\$	<u><u>46,165,994</u></u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Debt Service	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 57,761,900	\$ 8,142,356	\$ 7,717,509	\$ 16,746,206	\$ 90,367,971
Receivables:					
Property taxes	87,025,161	15,077,162	-	3,023,070	105,125,393
Payment in lieu of taxes	1,347,312	-	-	-	1,347,312
Accounts	68,946	-	-	1,579,371	1,648,317
Accrued interest	135,919	-	-	12,020	147,939
Interfund loans	1,194,925	-	-	-	1,194,925
Intergovernmental	432	-	-	874,329	874,761
Leases	-	-	-	995,301	995,301
Prepayments	140,846	-	-	-	140,846
Materials and supplies inventory	38,843	-	-	6,567	45,410
Inventory held for resale	-	-	-	78,094	78,094
Due from other funds	553	-	-	-	553
Total assets	<u>\$ 147,714,837</u>	<u>\$ 23,219,518</u>	<u>\$ 7,717,509</u>	<u>\$ 23,314,958</u>	<u>\$ 201,966,822</u>
Liabilities:					
Accounts payable	\$ 1,406,893	\$ -	\$ -	\$ 59,171	\$ 1,466,064
Contracts payable	-	-	303,789	1,713,575	2,017,364
Retainage payable	-	-	5,606,997	-	5,606,997
Accrued wages and benefits payable	7,913,602	-	-	460,921	8,374,523
Compensated absences payable	1,033,395	-	-	-	1,033,395
Intergovernmental payable	1,917,980	-	-	150,266	2,068,246
Interfund loans payable	-	-	-	1,194,925	1,194,925
Due to other funds	-	-	-	553	553
Total liabilities	<u>12,271,870</u>	<u>-</u>	<u>5,910,786</u>	<u>3,579,411</u>	<u>21,762,067</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	52,657,720	9,122,982	-	1,829,218	63,609,920
Payment in lieu of taxes levied for the next fiscal year	1,347,312	-	-	-	1,347,312
Leases	-	-	-	983,397	983,397
Delinquent property tax revenue not available	2,115,481	366,508	-	73,487	2,555,476
Intergovernmental revenue not available	-	-	-	411,445	411,445
Accrued interest not available	53,377	-	-	-	53,377
Donation revenue not available	-	-	-	1,429,605	1,429,605
Total deferred inflows of resources	<u>56,173,890</u>	<u>9,489,490</u>	<u>-</u>	<u>4,727,152</u>	<u>70,390,532</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	38,843	-	-	6,567	45,410
Prepays	140,846	-	-	-	140,846
Unclaimed monies	12,466	-	-	-	12,466
Restricted:					
Debt service	-	13,730,028	-	-	13,730,028
Capital improvements	-	-	1,806,723	6,849,383	8,656,106
Food service operations	-	-	-	1,131,811	1,131,811
Locally funded programs	-	-	-	846,307	846,307
State funded programs	-	-	-	455,760	455,760
Extracurricular	-	-	-	1,102,536	1,102,536
Community activities	-	-	-	1,348,954	1,348,954
Other purposes	-	-	-	109,443	109,443
Committed:					
Capital improvements	-	-	-	3,575,629	3,575,629
Medical insurance	9,103,113	-	-	-	9,103,113
Workers' compensation	567,392	-	-	-	567,392
Other purposes	309,406	-	-	-	309,406
Assigned:					
Student instruction	555,772	-	-	-	555,772
Student and staff support	1,715,407	-	-	-	1,715,407
Facilities acquisition and construction	11,000	-	-	-	11,000
General administration	49,512	-	-	-	49,512
Subsequent year's appropriations	6,041,062	-	-	-	6,041,062
School supplies	97,663	-	-	-	97,663
Unassigned (deficit)	60,626,595	-	-	(417,995)	60,208,600
Total fund balances	<u>79,269,077</u>	<u>13,730,028</u>	<u>1,806,723</u>	<u>15,008,395</u>	<u>109,814,223</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 147,714,837</u>	<u>\$ 23,219,518</u>	<u>\$ 7,717,509</u>	<u>\$ 23,314,958</u>	<u>\$ 201,966,822</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, 2022

Total governmental fund balances		\$	109,814,223
<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.			268,356,187
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	2,555,476	
Accounts receivable		1,429,605	
Accrued interest receivable		53,377	
Intergovernmental receivable		411,445	
Total		411,445	4,449,903
Unamortized premiums on bonds issued are not recognized in the funds.			(22,040,927)
Unamortized amounts on refundings are not recognized in the funds.			6,270,738
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(797,258)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - Pension		29,402,866	
Deferred inflows - Pension		(54,224,902)	
Net pension liability		(66,321,863)	(91,143,899)
The net OPEB liability/asset is not due and payable/receivable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - OPEB		2,696,409	
Deferred inflows - OPEB		(14,133,927)	
Net OPEB asset		8,979,386	
Net OPEB liability		(6,273,936)	
Total			(8,732,068)
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		(205,990,000)	
Capital appreciation bonds		(5,004,884)	
Accreted interest on capital appreciation bonds		(342,395)	
Financed purchase note payable		(1,462,051)	
Leases		(153,809)	
Compensated absences		(7,057,766)	
Total		(220,010,905)	(220,010,905)
Net position of governmental activities		\$	46,165,994

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, 2022

	General	Debt Service	Building	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 81,626,495	\$ 14,531,834	\$ -	\$ 2,886,064	\$ 99,044,393
Intergovernmental	12,718,334	543,366	-	8,365,862	21,627,562
Investment earnings	467,912	-	178,923	53,480	700,315
Tuition and fees	299,664	-	-	2,892,131	3,191,795
Extracurricular	236,720	-	-	963,350	1,200,070
Rental income	254,805	-	-	-	254,805
Charges for services	-	-	-	606,063	606,063
Contributions and donations	-	-	-	1,405,974	1,405,974
Payment in lieu of taxes	1,675,889	-	-	-	1,675,889
Miscellaneous	3,383,015	-	-	863,274	4,246,289
(Decrease) in fair value of investments	(1,687,903)	-	(142,744)	(5,162)	(1,835,809)
Total revenues	<u>98,974,931</u>	<u>15,075,200</u>	<u>36,179</u>	<u>18,031,036</u>	<u>132,117,346</u>
Expenditures:					
Current:					
Instruction:					
Regular	49,610,350	-	-	1,956,929	51,567,279
Special	16,463,026	-	-	2,020,580	18,483,606
Vocational	119,764	-	-	-	119,764
Other	68,058	-	-	-	68,058
Support services:					
Pupil	8,302,142	-	-	92,470	8,394,612
Instructional staff	4,829,443	-	-	124,279	4,953,722
Board of education	38,918	-	-	-	38,918
Administration	6,926,572	-	-	-	6,926,572
Fiscal	2,411,301	179,072	-	42,615	2,632,988
Business	701,250	-	-	364	701,614
Operations and maintenance	7,856,949	-	-	125,903	7,982,852
Pupil transportation	1,911,035	-	-	541,826	2,452,861
Central	4,376,709	-	-	16,522	4,393,231
Operation of non-instructional services:					
Food service operations	-	-	-	2,677,564	2,677,564
Community services	62,040	-	-	3,261,294	3,323,334
Extracurricular activities	1,713,644	-	-	1,288,849	3,002,493
Facilities acquisition and construction	-	-	31,210,427	5,770,031	36,980,458
Capital outlay	1,462,051	-	-	-	1,462,051
Debt service:					
Principal retirement	570,891	4,870,000	-	169,300	5,610,191
Interest and fiscal charges	4,697	8,296,681	-	-	8,301,378
Bond issuance costs	-	553,599	-	-	553,599
Total expenditures	<u>107,428,840</u>	<u>13,899,352</u>	<u>31,210,427</u>	<u>18,088,526</u>	<u>170,627,145</u>
Excess of revenues over (under) expenditures	<u>(8,453,909)</u>	<u>1,175,848</u>	<u>(31,174,248)</u>	<u>(57,490)</u>	<u>(38,509,799)</u>
Other financing sources (uses):					
Premium on refunding bonds	-	13,104,234	-	-	13,104,234
Issuance of refunding bonds	-	73,509,884	-	-	73,509,884
Issuance of financed purchase note payable	1,462,051	-	-	-	1,462,051
Transfers in	-	780,386	-	77,100	857,486
Transfers (out)	(77,100)	-	-	(780,386)	(857,486)
Payment to refunded bond escrow agent	-	(87,147,263)	-	-	(87,147,263)
Total other financing sources (uses)	<u>1,384,951</u>	<u>247,241</u>	<u>-</u>	<u>(703,286)</u>	<u>928,906</u>
Net change in fund balances	(7,068,958)	1,423,089	(31,174,248)	(760,776)	(37,580,893)
Fund balances at beginning of year	<u>86,338,035</u>	<u>12,306,939</u>	<u>32,980,971</u>	<u>15,769,171</u>	<u>147,395,116</u>
Fund balances at end of year	<u>\$ 79,269,077</u>	<u>\$ 13,730,028</u>	<u>\$ 1,806,723</u>	<u>\$ 15,008,395</u>	<u>\$ 109,814,223</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds		\$ (37,580,893)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 36,077,876	
Current year depreciation/amortization	<u>(6,844,625)</u>	
Total		29,233,251
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(10,779,670)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	706,408	
Earnings on investments	(8,627)	
Donations	(832,170)	
Intergovernmental	<u>(137,748)</u>	
Total		(272,137)
Issuance of bonds and finance purchase notes payable are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		
		(74,971,935)
Repayment of bond, note, and capital lease principal is an expenditure in the funds, but but the repayment reduces long-term liabilities on the statement of net position.		
		5,610,191
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred:		
Bonds refunded	73,510,000	
Unamortized premium on refunded bonds removed	7,241,318	
Deferred charges on refundings	<u>6,395,945</u>	
Total		87,147,263
Premiums on bonds issued are recognized as an other financing source in the funds; however, they are amortized over the life of the issuance in the statement of activities.		
		(13,104,234)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	1,654	
Amortization of bond premiums	1,205,495	
Accreted interest on capital appreciation bonds	(342,395)	
Amortization of deferred charges on debt refundings	<u>(232,456)</u>	
Total		632,298
Contractually required pension contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		9,527,420
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		153,611
Contractually required OPEB contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		232,201
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		625,342
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
		<u>25,609</u>
Change in net position of governmental activities		<u>\$ (3,521,683)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 950 employees. Our student population is approximately 6,200 students, excluding Community Schools' enrollment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium. META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2022, the District paid META Solutions \$65,600 for services. Financial information can be obtained from the Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

JOINT VENTURE WITHOUT EQUITY INTEREST

The Rockbridge Academy (the “Academy”)

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

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the Academy; however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The Academy is dependent upon continued support of the member schools as it is not independently accumulating adequate financial resources. The District paid \$100,082 to Rockbridge Academy during fiscal year 2022. Further detailed financial information may be obtained by contacting the Academy’s fiscal agent, the Educational Service Center of Central Ohio, at (614) 445-3750.

Burbank Park

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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

C. Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. ²⁷ Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. During fiscal year 2022, the District had no custodial activity; therefore, no statement is presented.

D. Measurement Focus

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

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, 2022

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

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, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The deferred inflow of resources for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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 2022, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, commercial paper, negotiable certificates of deposit (negotiable CDs), U.S. Treasury notes, U.S. Treasury bonds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, the District measures investments at fair value which is based on quoted market prices.

During fiscal year 2022, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2022 amounted to \$467,912 which includes \$104,234 assigned from other District funds.

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

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

G. Inventory

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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

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

H. Capital Assets and Depreciation/Amortization

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than one year. During fiscal year 2022, the District increased its capitalization threshold from \$2,500 to \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	15 - 50 Years
Furniture and Equipment	3 - 20 Years
Intangible Leased Assets	5 Years
Vehicles	8 - 15 Years

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

I. Interfund Activity

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

J. Interfund Balances

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

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 \$23,634,237 of restricted net position, of which none is restricted by enabling legislation.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

N. Fund Balance

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

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

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

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

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

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

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

O. Non-Public Schools

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

P. Budgetary Data

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

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

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

Q. Encumbrances

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Nether type of transaction occurred during fiscal year 2022.

U. Fair Value Measurements

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

V. Estimates

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

W. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. Fund balance has been presented as nonspendable equal to the balance of the prepayment at fiscal year-end.

X. Budget Stabilization Reserve

The Board of Education has a policy whereby the general fund must maintain a cash balance reserve equivalent to 1.56 months of expenditures after July 1, 2021. Promptly upon receiving any indication that such a cash balance may not be achieved within the first four (4) years of the rolling five- year financial forecast period, the Treasurer shall report such a finding to the Board, along with proposed options that the Board may consider. The District's cash balance reserve is included in the general fund's unassigned fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the District's fiscal year 2022 financial statements. The District recognized \$1,039,280 in governmental activities in leases receivable at July 1, 2021, due to the implementation of GASB 87; however, this entire amount was offset by deferred inflows of resources for leases. The District also recognized \$199,700 in governmental activities in leases payable at July 1, 2021; however, this entire amount was offset by the intangible asset, right to use lease - equipment.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 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, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

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

B. Deficit Fund Balances

Fund balances at June 30, 2022 included the following individual fund deficits:

Nonmajor funds	Deficit
Elementary and Secondary School	
Emergency Relief (ESSER)	\$ 105,271
IDEA Part B	247,981
Title I	63,427
Student Support and Academic Enrichment	1,316
Total	\$ 417,995

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and the reporting of short-term interfund loans for advances received from the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At June 30, 2022, the District had \$400 in undeposited cash on hand which is included on the financial statements as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2022, the carrying amount of all District deposits was \$11,908,829 and the bank balance of all District deposits was \$12,054,774. Of the bank balance, \$259,000 was covered by the FDIC, \$5,897,199 was covered by the Ohio Pooled Collateral System, and \$5,898,575 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. The OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2022, the District's financial institutions were approved for a reduced collateral rate of 50 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, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2022, the District had the following investment and maturity:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
FHLB	\$ 2,709,824	\$ -	\$ 243,841	\$ -	\$ 944,812	\$ 1,521,171
FFCB	12,456,849	499,747	1,711,737	2,222,056	4,924,529	3,098,780
FHLMC	474,259	-	-	-	-	474,259
FNMA	2,267,928	-	-	-	-	2,267,928
Commercial Paper	8,818,977	8,818,977	-	-	-	-
Negotiable CD's	7,375,885	1,240,610	2,960,747	-	2,702,458	472,070
U.S. Treasury notes	18,374,685	493,984	5,396,172	9,255,422	1,488,189	1,740,918
U.S. Treasury bonds	7,785,231	-	-	1,409,215	2,693,594	3,682,422
<i>Cost:</i>						
Money Market	36,950	36,950	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	18,158,154	18,158,154	-	-	-	-
Total	\$ 78,458,742	\$ 29,248,422	\$ 10,312,497	\$ 12,886,693	\$ 12,753,582	\$ 13,257,548

The weighted average maturity of investments is 1.10 years.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FHLB	\$ 2,709,824	3.45
FFCB	12,456,849	15.88
FHLMC	474,259	0.60
FNMA	2,267,928	2.89
Commercial Paper	8,818,977	11.24
Negotiable CD's	7,375,885	9.40
U.S. Treasury notes	18,374,685	23.42
U.S. Treasury bonds	7,785,231	9.92
<i>Cost:</i>		
Money Market	36,950	0.05
<i>Amortized Cost:</i>		
STAR Ohio	<u>18,158,154</u>	<u>23.15</u>
Total	<u>\$ 78,458,742</u>	<u>100.00</u>

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2022:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,908,829
Investments	78,458,742
Cash on hand	<u>400</u>
Total	<u>\$ 90,367,971</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 90,367,971</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - RECEIVABLES

- A. Receivables at June 30, 2022 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	\$ 105,125,393
Payments in lieu of taxes	1,347,312
Accounts	1,648,317
Accrued interest	147,939
Intergovernmental	874,761
Total	\$ 109,143,722

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

B. Leases Receivable

The District reports leases receivable of \$995,301 in the permanent improvement fund (a nonmajor governmental fund) for future payments under certain lease agreements in which the District is lessor. For fiscal year 2022, the District recognized lease revenue of \$55,883, which is reported in miscellaneous revenue, and interest revenue of \$29,400. The District is lessor of certain property in the following lease agreements:

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

The lease term includes the original negotiated term plus renewal options that are reasonably certain to be exercised. Lease payments are paid into the permanent improvement fund (a nonmajor governmental fund). The following is a schedule of future lease payments under the lease agreements:

Fiscal Year	Principal	Interest	Total
2023	\$ 36,591	\$ 28,768	\$ 65,359
2024	42,070	27,693	69,763
2025	43,307	26,457	69,764
2026	44,579	25,184	69,763
2027	45,889	23,874	69,763
2028 - 2032	271,654	97,417	369,071
2033 - 2037	157,384	61,443	218,827
2038 - 2042	138,314	41,686	180,000
2043 - 2047	159,868	20,132	180,000
2048 - 2049	55,645	1,354	56,999
Total	\$ 995,301	\$ 354,008	\$ 1,349,309

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 2022 represent the collection of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, as was seen during fiscal year 2022, State statute permits alternate payment dates to be established as Franklin County received approval from the Ohio Tax Commissioner to extend the due date of the second half 2021 real estate tax payments for 45 days. Public utility property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 taxes. Public utility real and personal property taxes received in calendar year 2022 became a lien on December 31, 2020, were levied after April 1, 2021, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available as an advance at June 30, 2022 was \$32,251,960 in the general fund, \$5,587,672 in the debt service fund, and \$1,120,365 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2021 was \$33,132,432 in the general fund, \$5,754,288 in the debt service fund, and \$1,153,137 in the permanent improvement fund (a nonmajor governmental fund). 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, 2022 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 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,279,894,360	98.62	\$ 2,312,492,860	98.56
Public utility personal	<u>31,925,260</u>	<u>1.38</u>	<u>33,754,070</u>	<u>1.44</u>
Total	<u>\$ 2,311,819,620</u>	<u>100.00</u>	<u>\$ 2,346,246,930</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, 2022

NOTE 7 - CAPITAL ASSETS

Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the District has reported capital assets for the right to use leased equipment which are reflected in the schedule below. Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Restated Balance <u>06/30/21</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/22</u>
Governmental activities:				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 629,783	\$ -	\$ -	\$ 629,783
Construction in progress	<u>133,442,746</u>	<u>25,928,374</u>	<u>(158,878,154)</u>	<u>492,966</u>
Total capital assets, not being depreciated/amortized	<u>134,072,529</u>	<u>25,928,374</u>	<u>(158,878,154)</u>	<u>1,122,749</u>
<i>Capital assets, being depreciated/amortized:</i>				
Intangible right-to use:				
Leased equipment	199,700	-	-	199,700
Land improvements	6,699,150	1,379,194	(398,691)	7,679,653
Buildings and improvements	152,168,031	162,394,575	(30,630,904)	283,931,702
Furniture and equipment	10,518,680	4,694,139	(5,631,873)	9,580,946
Vehicles	<u>3,220,689</u>	<u>559,748</u>	<u>(605,354)</u>	<u>3,175,083</u>
Total capital assets, being depreciated/amortized	<u>172,806,250</u>	<u>169,027,656</u>	<u>(37,266,822)</u>	<u>304,567,084</u>
<i>Less: accumulated depreciation/amortization:</i>				
Intangible right-to use:				
Leased equipment	-	(47,691)	-	(47,691)
Land improvements	(1,484,832)	(346,834)	248,091	(1,583,575)
Buildings and improvements	(46,149,604)	(5,311,699)	20,445,589	(31,015,714)
Furniture and equipment	(7,257,570)	(982,537)	5,229,615	(3,010,492)
Vehicles	<u>(2,084,167)</u>	<u>(155,864)</u>	<u>563,857</u>	<u>(1,676,174)</u>
Total accumulated depreciation/amortization	<u>(56,976,173)</u>	<u>(6,844,625)</u>	<u>26,487,152</u>	<u>(37,333,646)</u>
Governmental activities capital assets, net	<u>\$ 249,902,606</u>	<u>\$ 188,111,405</u>	<u>\$(169,657,824)</u>	<u>\$ 268,356,187</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - CAPITAL ASSETS - (Continued)

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

Instruction:

Regular	\$ 5,798,467
Special	135,331

Support services:

Pupil	4,441
Instructional staff	32,933
School administration	138,634
Operations and maintenance	145,114
Pupil transportation	135,378

Operation of non-instructional:

Food service operations	165,533
Community services	7,040
Extracurricular activities	<u>281,754</u>

Total depreciation/amortization expense	<u>\$ 6,844,625</u>
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NOTE 8 - OTHER COMMITMENTS

A. Encumbrance Commitments

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 822,665
Building	4,541,590
Nonmajor governmental	<u>5,562,636</u>
Total	<u>\$ 10,926,891</u>

B. Contractual Commitments

As a result of projects that were in progress at June 30, 2022, the District had the following outstanding contractual commitments at fiscal year-end:

	<u>Contract Amount</u>	<u>Expenditures incurred as of June 30, 2022</u>	<u>Amount Remaining on Contract</u>
Burbank Parking Lot	\$ 432,000	\$ 157,587	\$ 274,413
High School Athletic Fields	1,200,000	335,379	864,621
Total	<u>\$ 1,632,000</u>	<u>\$ 492,966</u>	<u>\$ 1,139,034</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 87 (see Note 3.A), the District has reported obligations for leases payable which are reflected in the schedule below. Changes in the District's long-term obligations during the year follows:

	Restated Balance <u>07/01/21</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/22</u>	Amount Due in <u>One Year</u>
<u>Governmental activities:</u>					
<u>General obligation bonds:</u>					
Series 2013 refunding:					
Serial bonds	\$ 5,550,000	\$ -	\$ (2,890,000)	\$ 2,660,000	\$ 2,660,000
Premium	142,272	-	(100,380)	41,892	-
Series 2018A improvement:					
Serial bonds	101,145,000	-	(19,435,000)	81,710,000	1,630,000
Term bonds	42,455,000	-	(42,455,000)	-	-
Premium	17,241,234	-	(7,870,178)	9,371,056	-
Series 2018B improvement:					
Term bonds	65,940,000	-	(12,825,000)	53,115,000	-
Series 2022A refunding					
Serial bonds	-	10,810,000	-	10,810,000	-
Term bonds	-	44,870,000	-	44,870,000	-
Capital appreciation bonds	-	5,004,884	-	5,004,884	1,164,984
Accreted interest on capital appreciation bonds	-	342,395	-	342,395	250,016
Premium	-	11,245,227	(384,452)	10,860,775	-
Series 2022B refunding					
Serial bonds	-	12,825,000	-	12,825,000	1,595,000
Premium	-	1,859,007	(91,803)	1,767,204	-
Total general obligation bonds	<u>232,473,506</u>	<u>86,956,513</u>	<u>(86,051,813)</u>	<u>233,378,206</u>	<u>7,300,000</u>
<u>Notes payable:</u>					
Series 2016 tax anticipation	<u>775,000</u>	-	(775,000)	-	-
Total notes payable	<u>775,000</u>	-	(775,000)	-	-
<u>Net pension liability:</u>					
STRS	101,097,092	-	(46,644,177)	54,452,915	-
SERS	<u>22,093,527</u>	-	<u>(10,224,579)</u>	<u>11,868,948</u>	-
Total net pension liability	<u>123,190,619</u>	-	<u>(56,868,756)</u>	<u>66,321,863</u>	-
<u>Net OPEB liability:</u>					
SERS	<u>7,553,432</u>	-	<u>(1,279,496)</u>	<u>6,273,936</u>	-
Total net OPEB liability	<u>7,553,432</u>	-	<u>(1,279,496)</u>	<u>6,273,936</u>	-
<u>Other long-term obligations:</u>					
Financed purchase note payable	694,300	1,462,051	(694,300)	1,462,051	368,611
Leases payable	199,700	-	(45,891)	153,809	46,744
Compensated absences	<u>8,255,939</u>	<u>2,068,003</u>	<u>(2,232,781)</u>	<u>8,091,161</u>	<u>1,775,586</u>
Total other long-term obligations	<u>9,149,939</u>	<u>3,530,054</u>	<u>(2,972,972)</u>	<u>9,707,021</u>	<u>2,190,941</u>
Total governmental activities	<u>\$ 373,142,496</u>	<u>\$ 90,486,567</u>	<u>\$ (147,948,037)</u>	<u>\$ 315,681,026</u>	<u>\$ 9,490,941</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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

Series 2018A Improvement Bonds

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

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

Series 2018B Improvement Bonds

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

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

Series 2022A Refunding Bonds

On March 3, 2022, the District issued \$60,684,884, in Series 2022A general obligation refunding bonds to advance refund \$60,685,000 of the outstanding Series 2018A improvement serial and term bonds. The Series 2022A refunding bonds consist of \$10,810,000 in current interest serial bonds, \$44,870,000 in current interest term bonds, and \$5,004,884 in capital appreciation bonds. The Series 2022A current interest bonds bear interest rates ranging from 2.325 percent to 3.277 percent and mature December 1, 2048. The capital appreciation bonds mature each year December 1 in years 2022 through 2031 in an aggregate accreted value at maturity of \$18,645,000. At June 30, 2022, a total of \$342,395 in accreted interest has been recorded on the capital appreciation bonds.

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

The reacquisition price exceeded the net carrying amount (including \$7,241,318 of unamortized premiums on the Series 2018A bonds refunded) of the old debt by \$4,308,105. This amount is being amortized over the remaining life of the refunding debt which is equal to the life of the refunded debt. The unamortized portion at June 30, 2022 is reported as a deferred inflow of resources on the statement of net position. The refunding was undertaken to reduce total debt service requirements by \$9,102,856 resulting in an economic gain of \$479,779.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

Series 2022B Refunding Bonds

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

Proceeds of \$14,592,272 (including bond premium less underwriting fees and other issuance costs) and a District equity contribution of \$320,568 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded portion of the 2018B improvement bonds. As a result, \$12,825,000 of these bonds were considered defeased and the liability for the refunded portion of these bonds has been removed from the basic financial statements. As of June 30, 2022, the outstanding amount of the Series 2018B refunded bonds was \$12,825,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,087,840. This amount is being amortized over the remaining life of the refunding debt which is less than the life of the refunded debt. The unamortized portion at June 30, 2022 is reported as a deferred inflow of resources on the statement of net position. The refunding was undertaken to reduce total debt service requirements by \$15,061,091 resulting in an economic gain of \$6,830,540.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 had a fixed interest rate of 1.39 percent and a maturity date of December 1, 2021. The proceeds are to be used various permanent improvements. The tax anticipation notes were capital related and long-term in nature and therefore are reported as a long-term obligation of the governmental activities. The notes bore an interest rate of 1.39 percent and matured on December 1, 2021. Interest payments were due June 1 and December 1 of each year. The notes were retired during fiscal year 2022.

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2022, follows:

Fiscal Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 5,885,000	\$ 8,066,364	\$ 1,164,984	\$ 250,016	\$ 7,049,984	\$ 8,316,380
2024	5,655,000	7,776,202	618,218	356,782	5,655,000	7,776,202
2025	6,960,000	7,460,827	476,131	498,869	6,960,000	7,460,827
2026	7,240,000	7,105,827	366,688	608,312	7,240,000	7,105,827
2027	7,570,000	6,735,577	282,409	692,591	7,570,000	6,735,577
2028 - 2032	17,880,000	30,213,463	2,096,454	11,233,546	17,880,000	30,213,463
2033 - 2037	23,775,000	26,791,519	-	-	23,775,000	26,791,519
2038 - 2042	28,430,000	21,964,195	-	-	28,430,000	21,964,195
2043 - 2047	34,180,000	16,194,674	-	-	34,180,000	16,194,674
2048 - 2052	41,335,000	9,761,953	-	-	41,335,000	9,761,953
2053 - 2056	27,080,000	1,594,971	-	-	27,080,000	1,594,971
Total	\$ 205,990,000	\$ 143,665,572	\$ 5,004,884	\$ 13,640,116	\$ 207,154,984	\$ 143,915,588

Net Pension Liability

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

Net OPEB Liability/Asset

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

Financed Purchase Note Payable

On September 7, 2015, the District entered into a master agreement for the financed purchase of computer hardware. As part of this master agreement, the District entered into two separate agreements in the amounts of \$2,770,200 and \$1,462,051, dated January 14, 2019 and April 24, 2022, respectively.

During fiscal year 2022, the District made the final payment on the January 14, 2019 financed purchase and disposed of the capital assets acquired by that financed purchase.

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

At June 30, 2022, assets acquired by the April 24, 2022 financed purchase in the amount of \$1,462,051 are included in capital assets as furniture, fixtures, and equipment. There was no depreciation expense or accumulated depreciation reported in fiscal year 2022 of this financed purchase.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

At inception, a liability was recorded on the statement of net position for the present value of the future minimum financed purchase payments required under the agreements. Principal payments in the 2022 fiscal year totaled \$694,300 which is reflected as debt service principal retirement in the general fund and permanent improvement fund (a nonmajor governmental fund). Principal payments are reclassified as a reduction to the long-term liabilities reported on the statement of net position.

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

Fiscal Year	Principal	Interest	Total
2023	\$ 368,611	\$ 2,449	\$ 371,060
2024	361,219	9,841	371,060
2025	364,470	6,590	371,060
2026	<u>367,751</u>	<u>3,309</u>	<u>371,060</u>
Total	<u>\$ 1,462,051</u>	<u>\$ 22,189</u>	<u>\$ 1,484,240</u>

Leases Payable

The District has entered into lease agreements for the right-to-use certain leased equipment. Due to the implementation of GASB Statement No. 87, the District has reported an intangible capital asset and corresponding lease liability for the future scheduled payments under certain lease agreements in which the District is lessee. The District is lessee of certain equipment in the following lease agreements:

<u>Purpose</u>	<u>Lease Commencement Date</u>	<u>Term (Years)</u>	<u>Lease End Date</u>	<u>Payment Method</u>
Copier equipment	2021	5	2026	Monthly
Copier equipment	2018	5	2023	Monthly

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

Fiscal Year	Principal	Interest	Total
2023	\$ 46,743	\$ 3,842	\$ 50,585
2024	38,024	2,554	40,578
2025	34,021	1,552	35,573
2026	<u>35,021</u>	<u>553</u>	<u>35,574</u>
Total	<u>\$ 153,809</u>	<u>\$ 8,501</u>	<u>\$ 162,310</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Compensated Absences

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

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2022, are a voted debt margin of \$13,897,368 (including available funds of \$13,730,028) and an unvoted debt margin of \$2,346,247.

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, 2021	\$ -
Current year set-aside requirement	1,057,778
Current year offsets	<u>(1,057,778)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2023	<u>\$ -</u>
Set-aside balance June 30, 2022	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - INTERFUND TRANSACTIONS

A. Due to/from balances consisted of the following at June 30, 2022, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ <u>553</u>

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

B. Interfund loans receivable/payable consisted of the following at June 30, 2022, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ <u>1,194,925</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, 2022, 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	\$ 77,100
Nonmajor governmental funds	Debt service fund	<u>780,386</u>
		<u>\$ 857,486</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 2022, the District contracted with an independent insurance provider for general liability insurance with an \$8 million umbrella coverage.

The District maintains property insurance of approximately \$177 million. Property and fleet insurance is provided by an independent insurance provider and property holds a \$5,000 deductible and the bus fleet and maintenance vehicles have a \$1,000 deductible and a \$1,000,000 limit per occurrence. A \$250,000 employee dishonesty blanket bond is also included for all employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

B. Workers' Compensation

On September 1, 2012 the District became self-insured in connection with a formalized risk management program in an effort to control claims and costs related to injured workers' compensation. The District pays into the self-insured fund, which is accounted for in the general fund, a percentage of the covered employee's salary. The rate is fixed and determined annually based on claims experience. The rate for fiscal year 2022 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 \$87,447 was recorded at June 30, 2022. 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, 2022.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments and Change in Estimates</u>	<u>Ending Balance</u>
2022	\$ 206,074	\$ 50,759	\$ (169,386)	\$ 87,447
2021	171,766	129,942	(95,634)	206,074
2020	102,742	241,859	(172,835)	171,766

C. Employee Health Insurance

Effective January 1, 2014, all enrolled employees are covered under the District's self-funded plan for health insurance, which is accounted for in the general fund. The District pays various percentages of premium contributions based on employee classification. These costs are allocated to the fund that pays the salary of the enrolled employee and are accounted for as expenditures in the paying funds and charges for services in the general fund. The claims liability of \$663,000 at June 30, 2022, 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, 2022.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

<u>Year</u>	<u>Balance</u>	<u>Year Claims</u>	<u>Payments</u>	<u>Balance</u>
2022	\$ 500,000	\$ 10,138,025	\$ (9,975,025)	\$ 663,000
2021	694,000	8,333,405	(8,527,405)	500,000
2020	818,000	10,328,127	(10,452,127)	694,000

D. Owner Controlled Insurance Program (OCIP)

On December 31, 2018, the District became self-insured in connection with a formalized OCIP risk management program in an effort to control workers' compensation claims and costs related to the District's construction project. The District paid into the self-insured fund, which is accounted for in the general fund. The District contracts with a third party (Hartford Insurance) to manage claims. The District has a \$250,000 self-insured retention for each claim and stop loss coverage for aggregate claims exceeding \$1.9 million. A claims liability of \$31,837 was recorded at June 30, 2022. This amount represents an estimate of incurred but unpaid and unreported claims at year end, known claims, as well as an estimate of the claims reserve required at year-end. This liability is included in the "Accounts Payable" amounts on the Statement of Net Position at June 30, 2022.

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>
2022	\$ 53,012	\$ 112,037	\$ (133,212)	\$ 31,837
2021	4,750	76,354	(28,092)	53,012
2020	-	5,673	(923)	4,750

NOTE 13 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2022, 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, 2022**

NOTE 13 – CONTINGENCIES - (Continued)

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2022 Foundation funding. The District had no material Foundation adjustments to report.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,808,229 for fiscal year 2022. Of this amount, \$37,850 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, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$7,719,191 for fiscal year 2022. Of this amount, \$1,134,583 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, 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	0.334031200%	0.417818010%	
Proportion of the net pension liability current measurement date	<u>0.321677000%</u>	<u>0.425882573%</u>	
Change in proportionate share	<u>-0.012354200%</u>	<u>0.008064563%</u>	
Proportionate share of the net pension liability	\$ 11,868,948	\$ 54,452,915	\$ 66,321,863
Pension expense	\$ (676,451)	\$ 522,840	\$ (153,611)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,146	\$ 1,682,332	\$ 1,683,478
Changes of assumptions	249,925	15,106,216	15,356,141
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	2,835,827	2,835,827
Contributions subsequent to the measurement date	<u>1,808,229</u>	<u>7,719,191</u>	<u>9,527,420</u>
Total deferred outflows of resources	<u>\$ 2,059,300</u>	<u>\$ 27,343,566</u>	<u>\$ 29,402,866</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 307,810	\$ 341,309	\$ 649,119
Net difference between projected and actual earnings on pension plan investments	6,112,855	46,927,992	53,040,847
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>534,936</u>	<u>-</u>	<u>534,936</u>
Total deferred inflows of resources	<u>\$ 6,955,601</u>	<u>\$ 47,269,301</u>	<u>\$ 54,224,902</u>

\$9,527,420 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	\$ (1,864,506)	\$ (6,552,982)	\$ (8,417,488)
2024	(1,510,332)	(5,611,835)	(7,122,167)
2025	(1,453,416)	(6,473,492)	(7,926,908)
2026	<u>(1,876,276)</u>	<u>(9,006,617)</u>	<u>(10,882,893)</u>
Total	<u>\$ (6,704,530)</u>	<u>\$ (27,644,926)</u>	<u>\$ (34,349,456)</u>

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.50%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.50% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.50%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 19,747,015	\$ 11,868,948	\$ 5,225,030

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.45%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 101,969,930	\$ 54,452,915	\$ 14,301,140

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

Net OPEB Liability/Asset

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

Plan Description - School Employees Retirement System (SERS)

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$232,201.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$232,201 for fiscal year 2022. Of this amount, \$232,201 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. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.347551500%	0.417818010%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.331501400%</u>	<u>0.425882573%</u>	
Change in proportionate share	<u>-0.016050100%</u>	<u>0.008064563%</u>	
Proportionate share of the net OPEB liability	\$ 6,273,936	\$ -	\$ 6,273,936
Proportionate share of the net OPEB asset	\$ -	\$ 8,979,386	\$ 8,979,386
OPEB expense	\$ (15,599)	\$ (609,743)	\$ (625,342)

At June 30, 2022, 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	\$ 66,876	\$ 319,731	\$ 386,607
Changes of assumptions	984,233	573,562	1,557,795
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	329,398	190,408	519,806
Contributions subsequent to the measurement date	<u>232,201</u>	<u>-</u>	<u>232,201</u>
Total deferred outflows of resources	<u>\$ 1,612,708</u>	<u>\$ 1,083,701</u>	<u>\$ 2,696,409</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 3,124,702	\$ 1,645,194	\$ 4,769,896
Net difference between projected and actual earnings on OPEB plan investments	136,307	2,488,929	2,625,236
Changes of assumptions	859,164	5,356,870	6,216,034
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>448,844</u>	<u>73,917</u>	<u>522,761</u>
Total deferred inflows of resources	<u>\$ 4,569,017</u>	<u>\$ 9,564,910</u>	<u>\$ 14,133,927</u>

\$232,201 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2023.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	\$ (652,902)	\$ (2,435,222)	\$ (3,088,124)
2024	(653,855)	(2,372,941)	(3,026,796)
2025	(705,692)	(2,297,497)	(3,003,189)
2026	(649,361)	(1,033,215)	(1,682,576)
2027	(370,790)	(351,181)	(721,971)
Thereafter	(155,910)	8,847	(147,063)
Total	\$ (3,188,510)	\$ (8,481,209)	\$ (11,669,719)

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, 2022

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, 2021 are presented below:

Wage inflation:

Current measurement date	2.40%
Prior measurement date	3.00%

Future salary increases, including inflation:

Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%

Investment rate of return:

Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.50% net of investment expense, including inflation

Municipal bond index rate:

Current measurement date	1.92%
Prior measurement date	2.45%

Single equivalent interest rate, net of plan investment expense,
including price inflation:

Current measurement date	2.27%
Prior measurement date	2.63%

Medical trend assumption:

Current measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a 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, 7.00%, 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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 7,774,166	\$ 6,273,936	\$ 5,075,445
Current Trend Rate			
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 4,830,416	\$ 6,273,936	\$ 8,202,034

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

	June 30, 2021		June 30, 2020	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.00%	4.00%
Medicare	-16.18%	4.00%	-6.69%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	6.50%	4.00%
Medicare	29.98%	4.00%	11.87%	4.00%

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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	1.00	2.25
Total	<u>100.00 %</u>	

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 7,577,213	\$ 8,979,386	\$ 10,150,690
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 10,103,229	\$ 8,979,386	\$ 7,589,649

NOTE 16 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

During fiscal year 2022, the District received \$1,887,674 in Elementary and Secondary School Emergency Relief (ESSER) funding. This amount is reported in the ESSER fund (a nonmajor governmental fund).

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 82,009,136	\$ 82,450,000	\$ 82,506,967	\$ 56,967
Payments in lieu of taxes	2,000,000	2,200,000	2,245,561	45,561
Tuition	124,000	120,000	121,604	1,604
Earnings on investments	500,010	410,010	421,093	11,083
Extracurricular	191,000	205,000	221,155	16,155
Rental income	180,000	180,000	187,122	7,122
Other local revenues	82,000	85,501	121,521	36,020
Intergovernmental - state	13,379,493	12,648,150	12,721,451	73,301
Total revenues	<u>98,465,639</u>	<u>98,298,661</u>	<u>98,546,474</u>	<u>247,813</u>
Expenditures:				
Current:				
Instruction:				
Regular	51,972,316	49,445,830	49,183,872	261,958
Special	15,307,125	14,311,148	14,212,923	98,225
Vocational	262,000	177,325	169,764	7,561
Student intervention services	1,397,732	2,264,320	2,246,799	17,521
Support services:				
Pupil	8,211,410	8,310,118	8,222,025	88,093
Instructional staff	5,558,130	5,095,117	5,024,477	70,640
Board of education	57,090	39,255	38,663	592
Administration	7,860,334	7,040,708	6,974,480	66,228
Fiscal	2,412,192	2,387,688	2,378,437	9,251
Business	878,510	739,077	732,726	6,351
Operations and maintenance	7,901,295	8,385,213	8,291,724	93,489
Pupil transportation	1,975,019	1,887,719	1,861,504	26,215
Central	1,768,345	1,972,406	1,942,590	29,816
General administration	100,032	15,025	15,000	25
Extracurricular activities	1,300,656	1,636,048	1,549,282	86,766
Facilities acquisition and construction	-	12,500	11,000	1,500
Total expenditures	<u>106,962,186</u>	<u>103,719,497</u>	<u>102,855,266</u>	<u>864,231</u>
Excess of revenues (under) expenditures	<u>(8,496,547)</u>	<u>(5,420,836)</u>	<u>(4,308,792)</u>	<u>1,112,044</u>
Other financing sources (uses):				
Transfers (out)	(80,000)	(1,327,125)	(1,327,100)	25
Advances in	1,464,853	1,464,853	1,464,853	-
Advances (out)	(150,000)	(750,000)	(732,041)	17,959
Refund of prior year's expenditures	20,000	20,000	33,681	13,681
Sale of capital assets	2,500	-	-	-
Total other financing sources (uses)	<u>1,257,353</u>	<u>(592,272)</u>	<u>(560,607)</u>	<u>31,665</u>
Net change in fund balance	(7,239,194)	(6,013,108)	(4,869,399)	1,143,709
Fund balance at beginning of year	49,089,109	49,089,109	49,089,109	-
Prior year encumbrances appropriated	1,501,396	1,501,396	1,501,396	-
Fund balance at end of year	<u>\$ 43,351,311</u>	<u>\$ 44,577,397</u>	<u>\$ 45,721,106</u>	<u>\$ 1,143,709</u>

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

NOTES TO THE BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

A. BUDGETARY INFORMATION

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

(1) Beginning in fiscal year 2011 the Franklin County Auditor eliminated the tax budget requirement. Alternative information must be filed by January 20th with the County Auditor. Board action is not required for the alternative document.

(2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

(3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Upper Arlington Board of Education adopted its 2022 permanent appropriation measure at its September 14, 2021 regular meeting. The Board of Education adopted at the June 29, 2021 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, 2022

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	\$ (4,869,399)
Net adjustment for revenue accruals	(3,001,481)
Net adjustment for expenditure accruals	(423,568)
Net adjustment for other sources/uses	695,558
Funds budgeted elsewhere	(562,729)
Adjustment for encumbrances	1,092,661
GAAP basis	<u>\$ (7,068,958)</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, the employee benefits fund, the unclaimed monies fund, the Upper Arlington Education Association fund, and the termination benefits fund.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.321677000%	0.334031200%	0.338642600%	0.337132900%
District's proportionate share of the net pension liability	\$ 11,868,948	\$ 22,093,527	\$ 20,261,581	\$ 19,308,226
District's covered payroll	\$ 11,067,936	\$ 11,734,600	\$ 11,627,215	\$ 10,910,578
District's proportionate share of the net pension liability as a percentage of its covered payroll	107.24%	188.28%	174.26%	176.97%
Plan fiduciary net position as a percentage of the total pension liability	82.86%	68.55%	70.85%	71.36%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.310681900%	0.329781900%	0.342068100%	0.362708000%	0.362708000%
\$ 18,562,557	\$ 24,136,992	\$ 19,518,737	\$ 18,356,445	\$ 21,569,081
\$ 10,372,829	\$ 10,255,307	\$ 10,229,901	\$ 10,539,531	\$ 10,596,026
178.95%	235.36%	190.80%	174.17%	203.56%
69.50%	62.98%	69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.425882573%	0.417818010%	0.410699710%	0.401705370%
District's proportionate share of the net pension liability	\$ 54,452,915	\$ 101,097,092	\$ 90,823,773	\$ 88,325,991
District's covered payroll	\$ 52,846,121	\$ 50,878,836	\$ 48,524,721	\$ 45,948,064
District's proportionate share of the net pension liability as a percentage of its covered payroll	103.04%	198.70%	187.17%	192.23%
Plan fiduciary net position as a percentage of the total pension liability	87.78%	75.48%	77.40%	77.31%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.393650450%	0.398487910%	0.396685150%	0.397000000%	0.397000000%
\$ 93,512,508	\$ 133,385,915	\$ 109,632,172	\$ 96,563,911	\$ 115,023,848
\$ 43,493,493	\$ 41,974,264	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323
215.00%	317.78%	264.89%	238.06%	250.68%
75.30%	66.80%	72.10%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,808,229	\$ 1,549,511	\$ 1,642,844	\$ 1,569,674
Contributions in relation to the contractually required contribution	<u>(1,808,229)</u>	<u>(1,549,511)</u>	<u>(1,642,844)</u>	<u>(1,569,674)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,915,921	\$ 11,067,936	\$ 11,734,600	\$ 11,627,215
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014	2013
\$ 1,472,928	\$ 1,452,196	\$ 1,435,743	\$ 1,357,527	\$ 1,460,779	\$ 1,466,490
<u>(1,472,928)</u>	<u>(1,452,196)</u>	<u>(1,435,743)</u>	<u>(1,357,527)</u>	<u>(1,460,779)</u>	<u>(1,466,490)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,910,578	\$ 10,372,829	\$ 10,255,307	\$ 10,299,901	\$ 10,539,531	\$ 10,596,026
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

**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			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 7,719,191	\$ 7,398,457	\$ 7,123,037	\$ 6,793,461
Contributions in relation to the contractually required contribution	<u>(7,719,191)</u>	<u>(7,398,457)</u>	<u>(7,123,037)</u>	<u>(6,793,461)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 55,137,079	\$ 52,846,121	\$ 50,878,836	\$ 48,524,721
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014	2013
\$ 6,432,729	\$ 6,089,089	\$ 5,876,397	\$ 5,794,243	\$ 5,273,104	\$ 5,965,092
<u>(6,432,729)</u>	<u>(6,089,089)</u>	<u>(5,876,397)</u>	<u>(5,794,243)</u>	<u>(5,273,104)</u>	<u>(5,965,092)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 45,948,064	\$ 43,493,493	\$ 41,974,264	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323
14.00%	14.00%	14.00%	14.00%	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 SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.331501400%	0.347551500%	0.347069500%	0.341224100%
District's proportionate share of the net OPEB liability	\$ 6,273,936	\$ 7,553,432	\$ 8,728,068	\$ 9,466,478
District's covered payroll	\$ 11,067,936	\$ 11,734,600	\$ 11,627,215	\$ 10,910,578
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.69%	64.37%	75.07%	86.76%
Plan fiduciary net position as a percentage of the total OPEB liability	24.08%	18.17%	15.57%	13.57%

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

<u>2018</u>	<u>2017</u>
0.315581800%	0.331853220%
\$ 8,469,386	\$ 9,459,044
\$ 10,372,829	\$ 10,255,307
81.65%	92.24%
12.46%	11.49%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net OPEB liability/asset	0.425882573%	0.417818010%	0.410699710%	0.401705370%
District's proportionate share of the net OPEB liability/(asset)	\$ (8,979,386)	\$ (7,343,149)	\$ (6,802,171)	\$ (6,454,995)
District's covered payroll	\$ 52,846,121	\$ 50,878,836	\$ 48,524,721	\$ 45,948,064
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	16.99%	14.43%	14.02%	14.05%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.73%	182.10%	174.70%	176.00%

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

<u>2018</u>	<u>2017</u>
0.393650450%	0.398487910%
\$ 15,358,788	\$ 21,311,237
\$ 43,493,493	\$ 41,974,264
35.31%	50.77%
47.10%	37.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 232,201	\$ 212,085	\$ 227,664	\$ 269,800
Contributions in relation to the contractually required contribution	<u>(232,201)</u>	<u>(212,085)</u>	<u>(227,664)</u>	<u>(269,800)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,915,921	\$ 11,067,936	\$ 11,734,600	\$ 11,627,215
Contributions as a percentage of covered payroll	1.80%	1.92%	1.94%	2.32%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 234,088	\$ 173,440	\$ 75,899	\$ 76,219	\$ 94,855	\$ 94,274
<u>(234,088)</u>	<u>(173,440)</u>	<u>(75,899)</u>	<u>(76,219)</u>	<u>(94,855)</u>	<u>(94,274)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,910,578	\$ 10,372,829	\$ 10,255,307	\$ 10,299,901	\$ 10,539,531	\$ 10,596,026
2.15%	1.67%	0.74%	0.74%	0.90%	0.89%

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 55,137,079	\$ 52,846,121	\$ 50,878,836	\$ 48,524,721
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ -	\$ 417,739	\$ 426,078
-	-	-	-	(417,739)	(426,078)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 45,948,064	\$ 43,493,493	\$ 41,974,264	\$ 41,387,450	\$ 40,562,338	\$ 45,885,323
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

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.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION (CONTINUED)

Changes in assumptions :

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

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 2014-2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

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

Changes in assumptions :

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Donation):		
National School Lunch Program	10.555	91,527
Cash Assistance:		
School Breakfast Program	10.553	160,639
National School Lunch Program	10.555	2,578,520
COVID-19 National School Lunch Program	10.555	110,265
Total Child Nutrition Cluster		<u>2,940,951</u>
Pandemic EBT Administrative Costs	10.649	<u>614</u>
Total U.S. Department of Agriculture		<u>2,941,565</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010A	350,521
Special Education Cluster:		
Special Education Grants to States	84.027A	1,652,270
COVID-19 Special Education Grants to States	84.027A	51,028
Total Special Education Cluster		<u>1,703,298</u>
English Language Acquisition State Grants	84.365A	11,369
Supporting Effective Instruction State Grants	84.367A	68,516
Student Support and Academic Enrichment Program	84.424A	23,134
Education Stabilization Fund		
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	619,027
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	934,551
Total Education Stabilization Fund		<u>1,553,578</u>
Total U.S. Department of Education		<u>3,710,416</u>
Total Expenditures of Federal Awards		<u>\$6,651,981</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, 2022**

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, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2022

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Upper Arlington City School District's, Franklin County (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Upper Arlington City School District's major federal programs for the year ended June 30, 2022. The Upper Arlington City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the Upper Arlington City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2022

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster AL#10.553 & 10.555 Elementary and Secondary School Emergency Relief AL#84.425
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/29/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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