

UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

SINGLE AUDIT

JULY 1, 2007 - JUNE 30, 2008



Mary Taylor, CPA

Auditor of State

Board of Education
Upper Arlington City School District
1950 North Mallway Drive
Upper Arlington, Ohio 43221

We have reviewed the *Independent Auditors' Report* of the Upper Arlington City School District, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Upper Arlington City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 21, 2008

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

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Board of Education
Upper Arlington City School District
1950 North Mallway
Upper Arlington, Ohio 43221

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each discretely presented component unit, its 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 fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, its major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio as of June 30, 2008, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing standards. You should read it in conjunction with this report in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Newark, Ohio 43055

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Upper Arlington City School District
Franklin County
Independent Auditors' Report

Management's Discussion and Analysis and the budgetary comparison schedule for the general fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to audit procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financials statements taken as a whole.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
October 30, 2008

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

As management of the Upper Arlington City School District (the District), we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

Financial Highlights

The District's net assets are \$60,251,781 as of June 30, 2008 according to the Statement of Net Assets. This represents an increase of \$7,020,131 or 13.2% from last year.

In November of 2007 the Citizens of the District authorized by vote a 6.2 mil combined operating and permanent improvement levy, with 4.2 mils for operating and 2.0 mils for permanent improvement. The levy began collection in January 2008 and raises approximately \$9.3 million in annual revenues. The current five-year forecast prepared by the District as mandated by state law, reflects a need for additional operating funds by fiscal year 2012.

The General Fund reported a positive fund balance of \$38,206,657. However, included within this balance is approximately \$20.1 million in tax revenues intended to finance next year's operations. Under accrual accounting, monies certified as being available for advance by the County Auditor, as of fiscal year end, are recognized as revenues within that fiscal year. On a budgetary basis these monies are intended to finance the following year.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

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

Fiduciary Fund

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$60,251,781 according to the Statement of Net Assets at the close of the most recent fiscal year.

One of the largest portions of the District's net assets (29.0%) reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

A comparative analysis of fiscal year 2008 to 2007 follows from the Statements of Net Assets:

Net Assets		
Governmental Activities		
2007		
	2008	(Restated)
Current assets	\$ 105,426,517	\$ 89,722,086
Capital assets	48,785,811	49,308,288
Total assets	<u>154,212,328</u>	<u>139,030,374</u>
Current liabilities	55,034,800	45,790,895
Long-term liabilities	38,925,747	40,007,829
Total liabilities	<u>93,960,547</u>	<u>85,798,724</u>
Net Assets:		
Invested in capital assets, net of debt	17,462,386	15,735,728
Restricted	7,795,875	5,537,465
Unrestricted	34,993,520	31,958,457
Total net assets	<u>\$ 60,251,781</u>	<u>\$ 53,231,650</u>

A portion of the District's net assets (12.9%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Changes in Net Assets		
Governmental Activities		
	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services and sales	\$ 5,016,787	\$ 5,195,701
Operating grants and contributions	3,509,216	2,826,113
General revenues:		
Property taxes	63,090,620	67,197,422
Grants and entitlements	12,663,435	11,901,852
Investment earnings	1,752,252	1,882,516
Miscellaneous	1,356,334	1,201,985
Total revenues	<u>87,388,644</u>	<u>90,205,589</u>
Program expenses:		
Instructional	46,257,421	42,392,495
Support services	25,715,678	23,756,907
Extracurricular student activities	2,770,791	2,813,904
Food services	1,290,775	1,171,398
Community services	2,759,582	3,183,840
Interest on long-term debt	1,574,266	1,650,657
Total expenses	<u>80,368,513</u>	<u>74,969,201</u>
Change in net assets	7,020,131	15,236,388
Net assets at the beginning of year	<u>53,231,650</u>	<u>37,995,262</u>
Net assets at end of year	<u>\$ 60,251,781</u>	<u>\$ 53,231,650</u>

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

Governmental Activities

In 2008, net assets of the District's governmental activities increased by \$7,020,131. This increase was less than expected based on the recent passage of the aforementioned operating and permanent improvements levy. This is a result of the timing of the certification of revenues by the County. In Ohio, the portion of property taxes legally available as an advance, on the future August real estate settlement, by June 30 is reported as revenue on both the full accrual and modified accrual basis of accounting. Thus, in the previous years 2007 and 2006 Franklin County certified that the amount of taxes available for advance was approximately \$22.5 million and \$16.2 million respectively; whereas, the amount available for advance at June 30, 2008 was approximately \$21.9 million. On a budget basis (cash basis), taxes increased approximately \$6.7 million, as expected.

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

Programs	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	\$ 46,257,421	\$ 45,145,579	\$ 42,392,495	\$ 41,551,124
Support services	25,715,678	24,312,400	23,756,907	22,637,361
Extracurricular student activities	2,770,791	1,147,432	2,813,904	1,193,932
Food service operations	1,290,775	28,326	1,171,398	(44,540)
Community services	2,759,582	(365,493)	3,183,840	(41,147)
Interest on long-term debt	<u>1,574,266</u>	<u>1,574,266</u>	<u>1,650,657</u>	<u>1,650,657</u>
Total	<u>\$ 80,368,513</u>	<u>\$ 71,842,510</u>	<u>\$ 74,969,201</u>	<u>\$ 66,947,387</u>

Local property taxes make up 80.0% of total general revenues for governmental activities. The net cost of service column reflecting the need for \$71,842,510 of support indicates the reliance on general revenues to support governmental activities.

The District's Funds

The District's governmental funds reported a combined fund balance of \$47,294,508, which represents an increase of \$7,062,281 as compared to last year's total of \$40,232,227 according to the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

The schedule below shows the fund balance and the total change in fund balance from June 30, 2008 to 2007.

	Fund Balance at June 30, 2008	Fund Balance at June 30, 2007	Increase (Decrease)
General Fund	\$ 38,206,657	\$ 34,118,790	\$ 4,087,867
Other Governmental Funds	9,087,851	6,113,437	2,974,414
Total	<u>\$ 47,294,508</u>	<u>\$ 40,232,227</u>	<u>\$ 7,062,281</u>

General Fund

The District's General Fund balance increased as a result of revenues outpacing expenditures. However the increase was not as large as expected because of the timing of the certification of revenues by the County, as previously discussed. In Ohio, the portion of property taxes legally available as an advance, on the future August real estate settlement by June 30, is reported as revenue on both the full accrual and modified accrual basis of accounting. This timing resulted in an approximate \$4.9 million decrease in property tax revenues for the general fund.

Other Governmental Funds

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$2,974,414. The increase is primarily related to the increase in capital projects money related to the passage of the permanent improvement levy, and a transfer of monies from the General fund of \$750,000 in advance of expenditures of such funds.

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

Revenues	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Property taxes	\$ 58,557,591	\$ 63,525,677	-7.82%
Intergovernmental	12,786,220	11,673,435	9.53%
Investment income	1,692,609	1,736,856	-2.55%
Other revenue	1,033,263	986,770	4.71%
Total	<u>\$ 74,069,683</u>	<u>\$ 77,922,738</u>	<u>-4.94%</u>

In total, overall revenues decreased resulting from the decrease in property taxes as discussed earlier. Intergovernmental revenues are up 9.53% from fiscal 2007 due primarily due to the increase payments by the State in conjunction with the phase out of the tangible personal property tax.

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

As the table below indicates, the largest portion of General Fund expenditures at 62.8% is for instructional services.

Expenditures by Function	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Instructional services	\$ 43,452,534	\$ 40,885,179	6.28%
Support services	24,307,001	22,593,741	7.58%
Co-curricular student activities	1,013,164	956,849	5.89%
Debt Service	349,714	349,715	0.00%
	<hr/>	<hr/>	
Total	<u>\$ 69,122,413</u>	<u>\$ 64,785,484</u>	<u>6.69%</u>

Total general fund expenditures increased 6.69% over the prior year.

General Fund Budget Information

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

During the course of fiscal year 2008, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues (certified revenues plus other financing sources) of \$74,516,002 were \$3,869,620 higher than the original budgeted revenues estimate of \$70,646,382.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$71,680,035 were increased to \$71,904,574 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$70,096,240, which was \$1,808,334 less than the final budget appropriations.

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

- Revenues
The variance in property taxes related to the original budget, final budget and actual amounts is due to timing of payments from the County, as well as the collection of the levy which passed in November of 2007.
- Expenditures
Overall, the variance between actual expenditures and the final budget was less than three percent of the total budget which is acceptable to District management.

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

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

Capital Assets

At June 30, 2008 the District has \$48,785,811 invested in capital assets net of accumulated depreciation. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$ 244,883	\$ 244,883	\$ 0
Construction in progress	213,996	-	213,996
Land improvements	2,353,000	2,353,000	0
Building and improvements	73,187,347	72,259,547	927,800
Furniture, fixtures and equipment	6,301,682	6,026,660	275,022
Vehicles	2,041,029	1,879,387	161,642
Less: Accumulated depreciation	(35,556,126)	(33,455,189)	(2,100,937)
Totals	\$ 48,785,811	\$ 49,308,288	\$ (522,477)

The increase in the total for construction in progress is related to the current building addition projects for both Greensview and Barrington Elementary schools. Total costs for these projects are estimated to be approximately \$4,300,000.

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

Debt

On June 30, 2008, the District had \$33,543,091 in long-term bonds outstanding. Additionally, the District has a short term note payable of \$2,500,000. The District paid \$1,620,000 in principal on bonds outstanding. Detailed information regarding long-term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2008, the District's general obligation debt was below the legal limit.

Component Units

Included within the Districts reporting entity are the following Component units:

- The Upper Arlington International Baccalaureate High School
- The Upper Arlington Community High School
- The Wickliffe Progressive Community School

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

These discretely presented component units are individually presented on the Government-Wide Statement of Net Assets and Statement of Activities. A brief description of each component unit is as follows:

- The Upper Arlington International Baccalaureate High School (IB School) is a legally separate not-for-profit served by an appointed board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The IB School aims to develop inquiring, knowledgeable and caring young people who help create a better and more peaceful world through intercultural understanding and respect. This School develops the whole student, helping students to grow intellectually, socially, aesthetically and culturally. A liberal arts education is provided including science and the humanities, languages, mathematics, technology and the arts. The educational program teaches students to think critically and encourages them to draw connections between areas of knowledge and use problem-solving techniques and concepts from the many disciplines. The IB School is approved by the International Baccalaureate Organization and offers an International Baccalaureate Diploma Programme. The IB School is intended to serve junior and senior level students who reside within the Upper Arlington City School District.

- The Upper Arlington Community High School (UACHS) is a legally separate not-for-profit served by an appointed board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The UACHS offers students an academically integrated, student-centered, technologically innovative, hands-on approach to learning with an emphasis on intellectual rigor. Its intent is to provide students with an understanding of the important role of community, on both a large and small scale, encouraging them to be active participants in both student governance and service learning projects. The educational program teaches students to think critically, to be reflective, to draw connections between subject areas, to use problem-solving approaches to extend their thinking, and to express themselves confidently through academic discourse as well as through creative expression. The goal is to produce a student who feels he or she is an integral part of a caring school community and who is an independent, self-motivated and self disciplined lifelong learner. The UACHS is intended to serve freshman through senior level students who reside within the Upper Arlington City School District and who are interested in pursuing an alternative schooling option. In FY08, the schools enrollment consisted of junior and senior grade level students.

- The Wickliffe Progressive Community School (the "WPC School") is a legally separate not-for-profit served by an appointed five-member board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The WPC School offers students an academically integrated, student-centered, hands-on approach to learning with an emphasis on educating both the heart and mind. Its intent is to provide students with an understanding of the important role of community, on both a large and small scale, encouraging them to be active participants in both student action and integrated learning projects. The educational program teaches students to think critically, to be reflective, to draw connections between subject areas, to use problem-solving approaches to extend their thinking, and to express themselves

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2008, continued
(Unaudited)

confidently through academic discourse as well as through creative expression. The goal is to produce a student who feels he or she is an integral part of a caring school community and who is an independent, self-motivated and self disciplined lifelong learner. The WPC School is intended to serve kindergarten through fifth grade level students who reside within the Upper Arlington City School District and who are interested in pursuing an alternative schooling option.

Economic Factors

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

Contacting the District's Financial Management

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Primary Government</u>
	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Equity in pooled cash & investments	\$ 51,365,057
Cash and cash equivalents in segregated accounts	-
Restricted cash	285,453
Receivables	52,754,149
Due from other:	
Governments	660,226
Inventory	130,451
Deferred charges	231,181
Land and Construction in Progress	458,879
Depreciable capital assets, net of accumulated depreciation	<u>48,326,932</u>
TOTAL ASSETS	<u>154,212,328</u>
LIABILITIES:	
Accounts payable	1,339,774
Due to other governments	1,041,142
Accrued interest payable	127,089
Unearned revenue	43,003,816
Accrued liabilities	7,022,979
Note payable	2,500,000
Long-term Liabilities:	
Due within one year	2,255,371
Due in more than one year	<u>36,670,376</u>
TOTAL LIABILITIES	<u>93,960,547</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,462,386
Restricted for:	
Budget stabilization	285,453
Debt service	798,190
Capital projects	3,307,945
Other purposes	3,404,287
Unrestricted	<u>34,993,520</u>
TOTAL NET ASSETS	<u>\$ 60,251,781</u>

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

Component Units		
INTERNATIONAL BACCALAUREATE	UPPER ARLINGTON COMMUNITY HIGH SCHOOL	WICKLIFFE PROGRESSIVE COMMUNITY
\$ -	\$ -	\$ -
7,340	63,020	160,387
-	-	-
4,430	-	748
-	-	-
1,066	112,623	118,476
-	-	-
-	-	-
-	-	-
39,771	148,238	119,495
<u>52,607</u>	<u>323,881</u>	<u>399,106</u>
9,323	108,751	71,905
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>9,323</u>	<u>108,751</u>	<u>71,905</u>
39,771	148,238	119,495
-	-	-
-	-	-
-	-	-
-	-	-
3,513	66,892	207,706
<u>\$ 43,284</u>	<u>\$ 215,130</u>	<u>\$ 327,201</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instructional services:			
Regular	\$ 37,946,719	\$ 14,180	\$ -
Special	8,163,548	68,155	1,029,507
Vocational	147,154	-	-
Support services:			
Operation and maintenance of plant	6,291,390	-	15,502
General administration	4,551,540	-	424,498
Business operations	4,128,557	-	-
Pupils	1,545,413	-	-
Fiscal services	848,746	-	-
Instructional staff	4,896,287	-	322,073
Student transportation	1,581,873	-	590,393
Central services	1,822,996	-	50,812
Board of Education	48,876	-	-
Extracurricular student activities	2,770,791	1,623,359	-
Food Service operations	1,290,775	1,211,879	50,570
Community services	2,759,582	2,099,214	1,025,861
Interest on long-term debt	1,574,266	-	-
Total Primary Governmental Activities	<u>\$ 80,368,513</u>	<u>\$ 5,016,787</u>	<u>\$ 3,509,216</u>
Component Units:			
International Baccalaureate	<u>\$ 354,056</u>	<u>\$ 50,027</u>	<u>\$ 8,288</u>
Upper Arlington Community High School	<u>\$ 318,759</u>	<u>\$ 2,091</u>	<u>\$ 303,385</u>
Wickliffe Progressive Community School	<u>\$ 2,768,269</u>	<u>\$ 14,633</u>	<u>\$ 488,111</u>

General revenues:
 Property taxes
 Grants and entitlements not restricted to specific programs
 Investment earnings
 Miscellaneous
 Total general revenues

Change in Net Assets

Net Assets Beginning of Year
 Net Assets End of Year

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

Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets		
Primary Government - Governmental Activities	Component Units		
	International Baccalaureate	Upper Arlington Community High School	Wickliffe Progressive Community School
\$ (37,932,539)			
(7,065,886)			
(147,154)			
(6,275,888)			
(4,127,042)			
(4,128,557)			
(1,545,413)			
(848,746)			
(4,574,214)			
(991,480)			
(1,772,184)			
(48,876)			
(1,147,432)			
(28,326)			
365,493			
(1,574,266)			
<u>\$ (71,842,510)</u>			
	\$ (295,741)		
		\$ (13,283)	
			\$ (2,265,525)
63,090,620	-	-	-
12,663,435	213,025	163,059	2,560,286
1,752,252	-	-	-
1,356,334	-	-	-
<u>78,862,641</u>	<u>213,025</u>	<u>163,059</u>	<u>2,560,286</u>
7,020,131	(82,716)	149,776	294,761
<u>53,231,650</u>	<u>126,000</u>	<u>65,354</u>	<u>32,440</u>
<u>\$ 60,251,781</u>	<u>\$ 43,284</u>	<u>\$ 215,130</u>	<u>\$ 327,201</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
ASSETS :			
Equity in pooled cash and investments	\$ 39,507,751	\$ 11,857,306	\$ 51,365,057
Receivables	48,432,574	4,321,575	52,754,149
Due from other:			
Governments	-	660,226	660,226
Funds	16,050	-	16,050
Inventory	28,961	101,490	130,451
Restricted assets:			
Equity in Pooled Cash and investments	<u>285,453</u>	<u>-</u>	<u>285,453</u>
TOTAL ASSETS	<u>\$ 88,270,789</u>	<u>\$ 16,940,597</u>	<u>\$ 105,211,386</u>
LIABILITIES:			
Accounts payable	707,895	631,879	1,339,774
Due to other:			
Governments	954,010	87,132	1,041,142
Funds	-	16,050	16,050
Deferred revenue	41,664,000	4,332,933	45,996,933
Accrued liabilities	6,738,227	284,752	7,022,979
Note payable	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
TOTAL LIABILITIES	<u>50,064,132</u>	<u>7,852,746</u>	<u>57,916,878</u>
FUND BALANCES:			
Fund balances:			
Reserved for encumbrances	691,990	369,510	1,061,500
Reserved for inventory	28,961	101,490	130,451
Reserved for future appropriations	20,148,720	1,777,780	21,926,500
Reserved for budget stabilization	285,453	-	285,453
Unreserved - Designated for budget stabilization	926,016	-	926,016
Unreserved, undesignated, reported in:			
General fund	16,125,517	-	16,125,517
Special Revenue funds	-	2,780,922	2,780,922
Debt Service fund	-	1,937,203	1,937,203
Capital Projects funds	<u>-</u>	<u>2,120,946</u>	<u>2,120,946</u>
TOTAL FUND BALANCES	<u>38,206,657</u>	<u>9,087,851</u>	<u>47,294,508</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 88,270,789</u>	<u>\$ 16,940,597</u>	<u>\$ 105,211,386</u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total Governmental Fund Balances	\$ 47,294,508
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	48,785,811
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,993,117
Deferred charges are not recognized in the funds.	231,181
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable	(127,089)
Compensated absences	(5,382,656)
Bonds payable	(33,543,091)
Net Assets of Governmental Activities	\$ 60,251,781

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
Property taxes	\$ 58,557,591	\$ 4,861,560	\$ 63,419,151
Intergovernmental:			
Federal Restricted Grants-in-aid	-	1,940,561	1,940,561
State:			
Unrestricted Grants-in-aid	12,769,665	557,657	13,327,322
Restricted Grants-in-aid	16,555	1,145,402	1,161,957
Investment income	1,692,609	59,643	1,752,252
Charges for services	-	3,502,112	3,502,112
Co-curricular activities	156,431	1,292,621	1,449,052
Tuition fees	68,155	-	68,155
Other	808,677	492,511	1,301,188
TOTAL REVENUES	74,069,683	13,852,067	87,921,750
EXPENDITURES:			
Current:			
Instructional services:			
Regular	36,035,750	178,660	36,214,410
Special	7,269,630	769,105	8,038,735
Vocational	147,154	-	147,154
TOTAL INSTRUCTIONAL SERVICES	43,452,534	947,765	44,400,299
Support services:			
Operation and maintenance of plant	6,161,538	11,315	6,172,853
School administration	4,128,752	522,591	4,651,343
Pupils	3,925,874	38,701	3,964,575
Fiscal	1,470,769	53,796	1,524,565
Business operations	672,611	80,964	753,575
Instructional staff	4,440,559	434,859	4,875,418
Student transportation	1,788,532	39,269	1,827,801
Central services	1,669,490	100,137	1,769,627
General administration	48,876	-	48,876
TOTAL SUPPORT SERVICES	24,307,001	1,281,632	25,588,633
Co-curricular student activities	1,013,164	1,547,913	2,561,077
Community services	-	2,883,414	2,883,414
Food service	-	1,262,749	1,262,749
Capital outlay	-	930,014	930,014
Debt service:			
Principal retirement	329,842	1,620,000	1,949,842
Interest	19,872	1,265,644	1,285,516
TOTAL EXPENDITURES	69,122,413	11,739,131	80,861,544
Excess (deficiency) of revenues over expenditures	4,947,270	2,112,936	7,060,206
OTHER FINANCING SOURCES (USES):			
Premium on issuance of notes	-	2,075	2,075
Transfers in	-	859,403	859,403
Transfers out	(859,403)	-	(859,403)
TOTAL OTHER FINANCING SOURCES (USES)	(859,403)	861,478	2,075
Change in Net Assets	4,087,867	2,974,414	7,062,281
FUND BALANCES AT BEGINNING OF YEAR	34,118,790	6,113,437	40,232,227
FUND BALANCE AT END OF YEAR	\$ 38,206,657	\$ 9,087,851	\$ 47,294,508

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Changes in Fund Balances - Total Governmental Funds **\$ 7,062,281**

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

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

Capital outlay	\$ 1,710,583	
Depreciation	<u>(2,283,599)</u>	(573,016)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is an increase to net assets

Donated capital assets	\$ 60,000	
Capital asset disposals	(192,123)	
Disposal depreciation	<u>182,662</u>	50,539

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (585,720)

Repayment of principal on debt obligations is an expenditure in governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. 1,949,842

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

Compensated absences		(595,045)
Accretion		(285,915)
Amortization, net		(3,925)
Interest expense		1,090

Change in Net Assets of Governmental Activities **\$ 7,020,131**

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2008

		<u>AGENCY FUND</u>
ASSETS:		
Equity in pooled cash and investments	\$	319,291
Accounts receivable		104
TOTAL ASSETS	\$	<u>319,395</u>
 LIABILITIES:		
Accounts payable	\$	62,077
Accrued wages		123
Due to other:		
Student Activities		<u>257,195</u>
TOTAL LIABILITIES	\$	<u>319,395</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Description of the School and Reporting Entity

The Upper Arlington City School District, Franklin County, Ohio (the District) was organized in 1918 and is a fiscally independent political subdivision of the State of Ohio, Franklin County, Ohio. The District is governed by a five-member board of education (the Board) elected by the citizens of Upper Arlington. The District is comprised of 8 schools and other buildings and departments that employ approximately 815 employees. Our student population is 5,438 students, excluding Community Schools' enrollment.

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

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

Included within the District's reporting entity are the following discretely presented Component units:

- The Upper Arlington International Baccalaureate High School (IB School)
- The Upper Arlington Community High School
- The Wickliffe Progressive Community School

The IB School is a legally separate not-for-profit served by an appointed Board of Directors. The IB School is a two-year comprehensive curriculum for grades 11 and 12, with an enrollment of 38 students, that seeks to prepare students for post-secondary study through courses and instructional techniques that emphasize:

- Critical thinking
- Application of Knowledge
- A liberal arts education with international focus

The Upper Arlington Community High School (UACHS) is a legally separate non-for-profit served by an appointed Board of Directors. It is intended to serve students who reside within the Upper Arlington City School District interested in pursuing an alternative schooling option. In fiscal year 2008, UACHS provided services to students in the eleventh and twelfth grades, and in fiscal year 2009, services will be also provided to freshman students. In the 2007-2008 school year, enrollment consisted of 28 students. The UACHS is a discretely presented component unit of the Upper Arlington City School District (the "Sponsor"). The UACHS was approved for operation under a five-year contract, commencing on July 1, 2005, with the Sponsor.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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

The Wickliffe Progressive Community School (the "WPC School") is a legally separate not-for-profit served by an appointed Board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The WPC School offers students an academically integrated, student-centered, hands-on approach to learning with an emphasis on educating both the heart and mind. Its intent is to provide students with an understanding of the important role of community, on both a large and small scale, encouraging them to be active participants in both student action and integrated learning projects. The educational program teaches students to think critically, to be reflective, to draw connections between subject areas, to use problem-solving approaches to extend their thinking, and to express themselves confidently through academic discourse as well as through creative expression. The goal is to produce a student who feels he or she is an integral part of a caring school community and who is an independent, self-motivated and self-disciplined lifelong learner.

The WPC School is intended to serve kindergarten through fifth grade level students who reside within the Upper Arlington City School District and who are interested in pursuing an alternative schooling option. The WPC School is a discretely presented component unit of the Upper Arlington City School District (Sponsor). The WPC School was approved for operation under a five year contract, starting July 1, 2005, with the Sponsor. Enrollment in 2007-08 was 435 students.

Separately, issued financial statements for each component unit maybe obtained from the Upper Arlington City School District, 1950 North Mallway, Upper Arlington, Ohio 43221.

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

JOINT VENTURE WITHOUT EQUITY INTEREST

Rockbridge Academy

The Rockbridge Academy is a joint venture consisting of a consortium of six school districts. The District does not have an ongoing financial obligation to support the Rockbridge Academy's operations. See Note 12 to the basic financial statements.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

The MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

(A) *Basis of Presentation*

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

Government-wide and fund financial statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds.

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

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 rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund.

(B) *Fund Accounting*

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies (Continued)

Governmental Funds

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

The District reports the following *major* governmental fund:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Funds used to account for the activity of the numerous student managed activities within the District and Rockbridge Academy are classified as agency funds. The District has not established any of the above trust funds.

(C) Measurement focus

The government-wide financial statements are reported using the *economic resources measurement focus*. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

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

Fiduciary funds are reported using the economic resources measurement focus.

(D) Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies (Continued)

Revenues – Exchange and Non-exchange Transactions

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

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

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied, provided they are collected and certified by the county auditor by the fiscal year-end. Additionally, taxes collected more than thirty days after fiscal year-end are recorded as a receivable with an offset to deferred revenue for amounts not collected and available for advance on June 30 by the county auditor. Tuition, grants, investment earnings, and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as a receivable or revenue, or deferred revenue of the current fiscal period.

Expenditures/Expenses

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies (Continued)

(E) Budgetary Process

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

Tax Budget:

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

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

Estimated Resources:

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year do not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amounts in the budgetary schedule reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

Appropriations:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

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

(F) Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account with individual fund balance integrity retained throughout. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2008, investments were limited to various government securities, repurchase agreements, certificates of deposits, and STAR Ohio.

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

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2008. 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$1,692,609.

(G) Inventory

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies (Continued)

(H) Capital Assets and Depreciation

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

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

All reported capital assets, with the exception of land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20
Buildings and building improvements	15-50
Furniture and equipment	5-20
Vehicles	8-15

(I) Interfund Activity

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

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

(J) Compensated Absence

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

District employees are granted vacation, personal leave, and sick leave in varying amounts. All leave will either be absorbed by time off from work, or with certain limitations, be paid to the employees when their employment ceases. Sick leave benefits are only paid upon retirement at the rate of 25% up to a maximum amount of days as determined by negotiated agreements with the two bargaining units and Board policy for all other employees. The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The noncurrent portion of the liability is not recorded. The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies (Continued)

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

(K) Accrued Liabilities and Long-term Debt

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

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

(L) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their 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 assets reports \$7,795,875 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

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

(M) Fund Balance Reservations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, materials and supplies inventory, property taxes for future appropriations and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property taxes for future appropriations represents taxes recognized as revenue under GAAP but not available for appropriations under state statute. The amount set-aside by the Board for budget stabilization is reported as a designation of fund balance in the general fund. (See Note 15).

(N) Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Summary of Significant Accounting Policies (Continued)

(O) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

(P) Unamortized Issuance Costs/ Bond Premium

In the government-wide financial statements bond issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

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

(Q) Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets are attributed to unspent monies received related to the Bureau of Workers Compensation refund.

3. Change in Accounting Principles

For 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and the STRS post-employment healthcare plans which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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

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

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

Interim monies may be invested in the following obligations:

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;

Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal governmental agencies or instrumentalities;

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;

Bonds and other obligations of the State of Ohio;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; The State Treasurer's investment pool (STAR Ohio);

Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

4. Deposits and Investments (Continued)

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

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2008, the District and public depositories complied with the provisions of these statutes.

At year-end, the carrying amount of all District deposits was \$34,989,775, exclusive of \$13,762 in cash on hand. The combined bank balance was \$35,160,994 of which \$535,558 was covered by FDIC insurance and \$35,160,994 was uninsured. Of the remaining uninsured bank balance, all was collateralized with eligible securities held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits are also collateralized with specific collateral held at the Federal Reserve Bank in the name of the District.

Investments:

As of June 30, 2008, the District had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity(Years)</u>
STAR Ohio	\$14,393,264	53.8
Repurchase Agreement*	<u>2,573,000</u>	Less than 1 year
Total Fair Value	<u>\$ 16,966,264</u>	

* Underlying securities are guaranteed by the US government.

Interest Rate Risk

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

4. Deposits and Investments (Continued)

Credit Risk

The District's investments, as discussed above were rated A-1+ and P-1 by Standard and Poor's and Moody's Investor Services, respectively. Standard and Poor's has assigned STAROhio an AAAM money market rating.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's total investments, 15.2% are included in the repurchase agreement, while 84.8% is in STAROhio.

Component Unit Cash and Cash Equivalents

At June 30, 2008, the carrying amount of all component unit deposits was \$230,747. The bank balance was \$237,691, of which \$177,060 was covered by the Federal Deposit Insurance Corporation. The remaining \$60,631 was exposed to custodial credit risk as discussed above.

5. Receivables

Receivables at June 30, 2008, consist of the following:

	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
Governmental activities:				
General	\$ 48,064,000	\$ 357,982	\$ 10,592	\$ 48,432,574
Other governmental funds	<u>4,307,000</u>	<u>-</u>	<u>14,575</u>	<u>4,321,575</u>
Total	<u>\$ 52,371,000</u>	<u>\$ 357,982</u>	<u>\$ 25,167</u>	<u>\$ 52,754,149</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2008, follows:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
<u>Governmental Activities Cost</u>				
Land (not being depreciated)	\$ 244,883	\$ -	\$ -	\$ 244,883
Construction in progress	-	213,996		213,996
Land improvements	2,353,000	-	-	2,353,000
Building and improvements	72,259,547	927,800	-	73,187,347
Furniture, fixtures and equipment	6,026,660	313,354	38,332	6,301,682
Vehicles	1,879,387	315,433	153,791	2,041,029
Total at cost	<u>82,763,477</u>	<u>1,770,583</u>	<u>192,123</u>	<u>84,341,937</u>
<u>Less accumulated depreciation</u>				
Land improvements	1,193,530	100,090	-	1,293,620
Building and improvements	26,598,889	1,539,403	-	28,138,292
Furniture, fixtures and equipment	4,409,986	527,364	28,871	4,908,479
Vehicles	1,252,784	116,742	153,791	1,215,735
Total accumulated depreciation	<u>33,455,189</u>	<u>2,283,599</u>	<u>182,662</u>	<u>35,556,126</u>
Capital assets, net	<u>\$ 49,308,288</u>	<u>\$ (513,016)</u>	<u>\$ 9,461</u>	<u>\$ 48,785,811</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	
Regular	\$1,823,708
Special	27,899
Support services	
Pupils	9,760
Instructional staff	440
Administration	38,030
Operation and maintenance of plant	78,804
Student transportation	82,045
Extra-curricular activities	207,519
Food service operations	15,394
Total depreciation expense	<u><u>\$2,283,599</u></u>

Construction in progress of \$213,966 is for building projects for additions to the Greensview and Barrington Elementary schools. Total cost for these projects are estimated at approximately \$4,300,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

7. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2008, follows:

<u>Debt Issuance</u>	<u>Issued</u>	<u>7/1/2007 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2008 Balance</u>	<u>Due within 1 yr</u>
1996 Building Improvement Bonds	1997	\$174,366	\$ -	\$-	\$174,366	\$ -
1996 Bonds Interest Accretion	1997	2,665,457	157,444	-	2,822,901	-
General Obligation Bonds Payable		2,839,823	157,444	-	2,997,267	-
2005 Refunding Issue Bonds	2005	31,450,000	-	1,620,000	29,830,000	1,705,000
Premium on Refunding Bonds	2005	1,731,292	-	115,420	1,615,872	115,420
Deferred Amount on Refunding	2005	(1,533,300)	-	(102,220)	(1,431,080)	(102,220)
2005 Bonds Interest Accretion	2005	402,561	128,471	-	531,032	-
Refunding Bonds Payable		32,050,553	128,471	1,633,200	30,545,824	1,718,200
Compensated Absences	N/A	4,787,611	867,005	271,960	5,382,656	537,171
Capital Leases Payable	N/A	329,842	-	329,842	-	-
Total Long-Term Obligations		\$40,007,829	\$ 1,152,920	\$2,235,002	\$38,925,747	\$2,255,371

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 school district.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

7. Long-Term Obligations (Continued)

The annual maturities of the general obligation bonds (at par) as of June 30, 2008, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2009	3.0 - 5.25	\$ 1,705,000	\$ 1,215,769
2010	3.0 - 5.25	1,790,000	1,165,581
2011	3.0 - 5.25	703,556	2,286,863
2012	2.75 - 5.25	277,919	2,779,325
2013	2.75 - 5.25	1,377,902	1,718,918
2014 - 2018	5.0 - 5.25	9,679,989	6,262,262
2019 - 2023	5.0 - 5.25	14,470,000	1,856,000
 Total		<u>\$ 30,004,366</u>	<u>\$ 17,284,718</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. An exception to the 9% limit is provided in ORC 133.06(E). At June 30, 2008 the District's total net debt was 1.97% of the total assessed value of all property within the District.

8. Capital Lease Obligation

In 2005, the District entered into a capital lease obligation for the use of technology equipment. The cost of this equipment which is included in the District's capital asset is \$1,179,823. The final principal and interest payments were made in fiscal 2008 in the amounts of \$329,842 and \$19,872, respectively.

9. Notes Payable

The District issued \$ 2,500,000 in tax anticipation notes (TAN) during fiscal year 2008. The TAN's were issued to fund permanent improvements. The TAN was issued on June 25, 2008 with a stated rate of interest of 2.625%. The TAN matures on June 25, 2009. The government-wide and fund financial statements reflect notes payable of \$2,500,000.

A summary of the tax anticipation note activity for the fiscal year ended June 30, 2008 follows:

<u>Outstanding July 1, 2008</u>	<u>Issued 2008</u>	<u>Retired 2008</u>	<u>Outstanding June 30, 2008</u>
\$ -	\$ 2,500,000	\$ -	\$ 2,500,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

10. Defined Benefit Pension Plans

State Teachers Retirement System

The District participates in the State Teachers Retirement system of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. DC and Combined Plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the formula benefit the retirement allowance is based on years of credited service and final average salary, which is the average of the members' three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the money-purchase benefit, members' lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount.

The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

Combined Plan offers features of the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined benefit portion of the Combined Plan is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

10. Defined Benefit Pension Plans (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

For fiscal year ended June 30, 2008 members were required to contribute 10% of their annual covered salary and the District was required to contribute 14%. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14% contributed by the District, 13% was the portion used to fund pension obligations.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$4,955,139, \$5,097,000 and \$4,965,000, respectively; 87.42% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. \$623,432 representing the unpaid contribution for fiscal year 2008 is recorded as a liability within the respective funds. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained by contacting SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 1-800-878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$1,227,360, \$1,332,000 and \$1,303,000, respectively; 87.42% has been contributed for fiscal year 2008 and 100% for fiscal year 2007 and 2006. \$154,420 representing unpaid contributions for fiscal year 2008 is recorded as a liability within the respective funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

11. Postemployment Benefits Other Than Pension Benefits

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, 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. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2008, 2007 and 2006, the District's contributions to post-employment health care were \$381,165, \$364,071, and \$354,674; respectively. 87.42% has been contributed for 2008 and 100% for fiscal years 2007 and 2006.

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees. The Health Care Plan provides health care and prescription drug plans administered by two third-party administrators. The Retirement Board establishes rules for premiums paid by retirees for health care coverage and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The Medicare Part B premium reimbursement plan reimburses eligible retirees for the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2007 (most recent information available) was \$93.50. SERS' reimbursement to retirees was \$45.50. The Retirement Board, with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2007 (most recent information available) the actuarially required allocation was .68%. For the fiscal years ended June 30, 2008, 2007 and 2006 the District's contributions to Medicare Part B were \$59,614, \$64,696 and \$63,284 respectively; 87.42% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

The Health Care Plan is funded through employer contributions. Each year after allocation for required benefits the Retirement Board allocates the remainder of the employers' 14% contribution. At June 30, 2007 (the most recent information available) the health care allocation was 3.32%. The actuarially required contribution (ARC), as of December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (most recent information available), the minimum compensation level was established at \$35,800.

For fiscal year ended June 30, 2008, the District contribution to the Health Care Plan, including the surcharge, was \$480,674; 87.42% has been contributed for fiscal year 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

12. Joint Venture

The Rockbridge Academy (Academy) is a joint venture consisting of a consortium of six schools districts. The joint venture was formed for the purpose of providing alternative education services to at risk students. The Governing Board of the Academy consists of six members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the joint venture. The Academy is independent upon continued support of the member schools as it is not independently accumulating adequate financial resources. The Educational Service Center of Franklin County (ESC) is the fiscal agent for the Academy. Further detailed financial information may be obtained by contacting the ESC.

13. Property Taxes

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

Property taxes include amounts levied against all real, public utility property, and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received in calendar 2008 (other than public utility property tax) represents the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – with the assessed percentage for all property including inventory having been reduced from 12.5% in 2007 to 6.25% in 2008, and will then be reduced to 0% for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

13. Property Taxes (Continued)

property tax settlement were levied to finance current fiscal year operations.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

Real Estate	\$ 1,545,448,950
Public Utility	11,106,500
Tangible Property	5,956,629
Total	<u>\$ 1,562,512,079</u>

14. Contingent Liabilities

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

Upper Arlington City School District is a party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims will not have a material effect on the financial condition of the District.

15. Set-Aside Calculations

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The budget stabilization reserve is optional; however, the Board elected to continue the reserve as permitted by law. The designated budget stabilization reflects the monies designated by the by the Board of Education for additional contributions above and beyond the required reserve amount.

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

	Textbooks/ Instructional Materials	Capital Acquisition	<u>Budget Stabilization</u>	
			<u>Designated</u>	<u>Reserved</u>
Set-aside cash balance as of June 30, 2007	\$ (733,031)	\$ -	\$ 926,016	\$ 285,453
Current year set-aside requirement	803,041	803,041	-	-
Current year offsets	-	(750,000)	-	-
Qualifying disbursements	<u>(1,415,619)</u>	<u>(1,717,145)</u>	<u>-</u>	<u>-</u>
Total	<u>\$(1,345,609)</u>	<u>\$(1,664,104)</u>	<u>\$ 926,016</u>	<u>\$ 285,453</u>
Balance carried forward to FY 2009	<u>\$(1,345,609)</u>	<u>\$ -</u>	<u>\$ 926,016</u>	<u>\$ 285,453</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

15. Set-Aside Calculations (Continued)

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks reserve and this extra amount may be used to reduce the set-aside requirement for future fiscal years. Therefore, this negative amount is being carried forward to the next fiscal year. The District also had qualifying disbursements during the year that reduced the set-aside amounts below zero for the Capital Acquisition Reserve. However, this amount may not be used to reduce the set-aside requirement for future fiscal years.

A schedule of the General fund restricted assets at June 30, 2008 follows:

Amount restricted for BWC refunds	\$ <u>285,453</u>
Total restricted assets	\$ <u>285,453</u>
Amount designated for budget stabilization	\$ <u>926,016</u>

16. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008 the District contracted with an independent insurance provider for general liability insurance with an \$8 million umbrella coverage.

The District maintains property and casualty insurance of approximately \$120 million. Property and fleet insurance is provided by an independent insurance provider and property holds a \$1,000 deductible and the bus fleet and maintenance vehicles have a \$250 deductible and a \$1,000,000 limit per occurrence and \$2 million in the aggregate. A \$250,000 employee dishonesty blanket bond is also included for all employees.

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

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

17. Interfund Transactions

- A. Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Government Funds	\$16,050

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. All interfund balances are expected to be repaid within one year.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

17. Interfund Transactions (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers from the General fund to the following other governmental funds were:

Capital projects funds	\$750,000
Special revenue funds	<u>109,403</u>
Total	<u>\$859,403</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property taxes	\$ 56,525,577	\$ 59,241,403	\$ 60,131,627	\$ 890,224
Intergovernmental:				
State-				
Unrestricted grants-in-aid	11,621,943	12,674,933	12,769,665	94,732
Restricted grants-in-aid	20,000	31,555	16,555	(15,000)
Investment income	1,600,000	1,600,000	1,622,519	22,519
Tuition fees	100,680	100,000	68,155	(31,845)
Co-curricular	151,400	150,000	156,431	6,431
Miscellaneous	565,400	515,000	927,795	412,795
Total revenues	70,585,000	74,312,891	75,692,747	1,379,856
EXPENDITURES:				
Instructional services:				
Regular	37,135,933	37,280,788	36,746,242	534,546
Special	5,637,264	7,182,067	7,112,622	69,445
Vocational	53,613	147,701	147,310	391
Total instructional services	42,826,810	44,610,556	44,006,174	604,382
Support services:				
Pupils	3,960,529	4,002,828	3,935,974	66,854
Instructional staff	5,845,870	4,726,386	4,467,000	259,386
Board of education	64,167	61,166	48,989	12,177
General administration	4,316,374	4,175,009	4,010,787	164,222
Fiscal services	1,526,737	1,522,184	1,475,849	46,335
Business	666,127	605,986	564,492	41,494
Operation and maintenance of plant	6,621,368	6,455,333	6,191,851	263,482
Student transportation	1,714,176	1,838,669	1,775,088	63,581
Central services	2,095,731	2,022,417	1,744,045	278,372
Co-curricular	1,078,498	1,021,340	1,016,588	4,752
Total support services	27,889,577	26,431,318	25,230,663	1,200,655
Total expenditures	70,716,387	71,041,874	69,236,837	1,805,037
Excess (deficiency) of revenues over expenditures	(131,387)	3,271,017	6,455,910	3,184,893
OTHER FINANCING SOURCES (USES):				
Sale of equipment	2,000	-	225	225
Refund of prior year expenditure	59,382	203,111	179,548	(23,563)
Refund of prior year receipt	(25,000)	-	-	-
Other	(56,948)	-	-	-
Transfers - net	(856,700)	(859,403)	(859,403)	-
Advances - net	(25,000)	(3,297)	3,958	7,255
Total other financing sources (uses)	(902,266)	(659,589)	(675,672)	(16,083)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,033,653)	2,611,428	5,780,238	3,168,810
Prior year encumbrances	950,081	950,081	950,081	-
Fund balances at beginning of year	33,062,886	33,062,886	33,062,886	-
Fund balances at end of year	\$ 32,979,314	\$ 36,624,395	\$ 39,793,205	\$ 3,168,810

See accompanying footnotes to the required supplementary information.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

A. Budgetary Information

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

- (1) A Tax Budget of estimated cash receipts and disbursements is submitted to the Franklin County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Upper Arlington Board of Education holds a budget hearing when it normally adopts the Tax Budget at the first regular meeting in January, following the budget hearing.
- (2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.
- (3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Upper Arlington Board of Education adopted its 2008 permanent appropriation measure at its September 17, 2007 regular meeting. The Board of Education adopted at the June 28, 2007 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

B. Reconciling Budgetary Basis and GAAP

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

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (Continued)

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

Change in net assets	\$ 4,087,867
Adjustments	
Due to revenues	1,623,064
Due to expenditures	(114,424)
Due to other financing sources	183,731
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u><u>\$ 5,780,238</u></u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Food Donation	10.550	\$ -	\$ 44,094	\$ -	\$ 44,094
National School Lunch Program	10.555	49,997	-	49,997	\$ -
Total U.S. Department of Agriculture		49,997	44,094	49,997	44,094
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	146,387	-	136,520	-
Special Education Cluster:					
Special Education Grants to States	84.027	1,374,527	-	1,304,660	-
Special Education Preschool Grants	84.173	-	22,262	-	22,262
Total Special Education Cluster		1,374,527	22,262	1,304,660	22,262
Safe and Drug Free Schools and Communities State Grants	84.186	9,300	-	9,522	-
State Grants for Innovative Programs	84.298	10,760	-	9,734	-
Integrated Education	84.323	12,231	-	-	-
Education Technology State Grants	84.318	1,171	-	1,051	-
English Language Acquisition Grants - Limited English Proficient	84.365	37,010	-	23,494	-
Improving Teacher Quality State Grants	84.367	128,411	-	131,513	-
Learn and Serve America	94.004	29,695	-	27,379	-
Total U.S. Department of Education		1,749,492	22,262	1,643,873	22,262
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio Department of MRDD</i>					
Medical Assistance Program					
Community Alternative Funding System	93.778	7,784	-	-	-
Total U.S. Department of Health and Human Services		7,784	-	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY					
<i>Passed Through Ohio Department of Public Safety</i>					
Disaster Grants - Public Assistance					
Small Project Grant	97.036	11,315	-	11,315	-
Total U.S. Department of Homeland Security		11,315	-	11,315	-
Total Federal Awards		\$ 1,818,588	\$ 66,356	\$ 1,705,185	\$ 66,356

The accompanying notes are an integral part of this schedule.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

The District used the services of DJ Co-ops to hold, process, and deliver its federal commodities at a nominal rate.

NOTE D – MEDICAID COMMUNITY ALTERNATIVE FUNDING SYSTEM

Cash receipts for the Community Alternative Funding System (CAFS) totaled \$7,784 in fiscal year 2008. These amounts related to settlements for CAFS service provided in prior years.

NOTE E – NONCASH AWARDS

The District had the following federal non-cash receipts and non-cash disbursements which were received and disbursed by the Franklin County Educational Service Center on behalf of the District for fiscal year 2008.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
Special Education-Preschool Grants	84.173	\$22,262	\$22,262



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Education
Upper Arlington City School District
1950 North Mallway
Upper Arlington, Ohio 43221

We have audited the financial statements of the governmental activities, each discretely presented component unit, its 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 fiscal year ended June 30, 2008, and have issued our report thereon dated October 30, 2008, wherein we noted the District implemented GASB Statement No.'s 45, 48, and 50 as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

We intend this report solely for the information and use of the audit committee, management, Board of Education, the Auditor of State, federal awarding agencies and pass-through entities, and other members of the District. We intend it for no one other than these specified parties.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
October 30, 2008



**Report on Compliance with Requirements Applicable to Its Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Education
Upper Arlington City School District
1950 North Mallway
Upper Arlington, Ohio 43221

Compliance

We have audited the compliance of the Upper Arlington City School District, Franklin County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the Upper Arlington International Baccalaureate High School, the Upper Arlington Community High School, and the Upper Arlington Wickliffe Progressive Community School, each a discretely presented component unit. Because these component units are legally separate from the District which this report addresses, and because each component unit expended less than \$500,000 of federal awards for the fiscal year ended June 30, 2008, each component unit was not subject to OMB Circular A-133 audit requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Upper Arlington City School District, Franklin County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2008.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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(740) 345-6611

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FAX (740) 345-5635

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, the Auditor of State, federal awarding agencies and pass-through entities, and other members of the District. It is not intended for anyone other than these specified parties.

Wilson, Sherman & Snow, Inc.

Newark, Ohio
October 30, 2008

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(I)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(I)(iv)</i>	Were there any material internal control weakness conditions reported for its major federal program?	No
<i>(d)(I)(iv)</i>	Were there any other significant deficiencies in its internal control for its major federal program?	No
<i>(d)(I)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(I)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(I)(vii)</i>	Major Program (list):	Special Education Cluster: Special Education Grants to States \ CFDA #84.027 and Special Education Preschool Grants \ CFDA #84.173
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	Yes

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

JUNE 30, 2008

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2008**