



**Auditor of State  
Betty Montgomery**



**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	13
Financial Statements:	
Balance Sheet-Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Fiduciary Assets .....	18
Notes to the Financial Statements .....	19
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund .....	41
Note to RSI .....	44
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	46
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Governmental Auditing Standards</i> .....	47
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control over Compliance in Accordance with OBM Circular A-133.....	49
Schedule of Findings .....	51

**THIS PAGE INTENTIONALLY LEFT BLANK**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, (the District), as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that 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 major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing 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 financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

December 15, 2004

**Upper Arlington City School District**  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2004  
(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, 2004.

**Financial Highlights**

The District's net assets are \$31,177,595 as of June 30, 2004 according to the Statement of Net Assets. This represents a decrease of \$985,277 or 3.1% from last year. This decrease is attributable to a 3% increase in total expenses, partially offset by additional 2004 revenue.

In November of 2004 the Citizens of the District authorized by vote a 7.5 mil operating levy. The levy is expected to bring in \$9.8 million annual new revenues. The current five-year forecast prepared by the District, as mandated by state law, reflects a need for additional operating funds by June 2009.

The General Fund reported a positive fund balance of \$9,240,090. However, included within this balance is approximately \$9.7 million in tax revenues intended to finance next year's operations. Under accrual accounting, monies certified as being available for advance by the county auditor as of fiscal year end are recognized as revenues within that fiscal year. On a budgetary basis these monies are intended to finance the following year.

**Reporting the District as a Whole**

*The Statement of Net 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

**Upper Arlington City School District**  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2004, continued  
(Unaudited)

compliance with various grant provisions. The District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the 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 two Fiduciary Funds are both Agency Funds. The District's fiduciary activities are reported in the Statement of Fiduciary Assets, Fiduciary Fund. We exclude these activities from the District's other financial statements because the 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 \$31,177,595 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 (69.3%) 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, 2004, continued  
(Unaudited)

A comparative analysis of fiscal year 2004 to 2003 follows from the Statements of Net Assets:

**Upper Arlington City School District**  
**Net Assets**

	Governmental Activities	
	2004	2003
Current assets	\$ 61,913,944	\$ 69,238,181
Capital assets	59,881,041	60,552,083
Total assets	121,794,985	129,790,264
Current liabilities	44,761,454	50,190,243
Long-term liabilities	45,855,936	47,437,149
Total liabilities	90,617,390	97,627,392
Net Assets:		
Invested in capital, net of debt	21,601,854	20,455,055
Restricted	5,867,808	3,429,913
Unrestricted	3,707,933	8,277,904
Total net assets	\$ 31,177,595	\$ 32,162,872

A portion of the District's net assets (18.8%) 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	
	2004	2003
<b>Program revenues:</b>		
Charges for services	\$ 4,452,166	\$ 4,203,986
Grants	1,896,271	2,040,333
<b>General revenues:</b>		
Property taxes	47,820,349	44,632,338
State entitlements	11,146,516	10,768,619
Investment earnings	198,451	334,252
Miscellaneous	851,381	1,033,106
Total revenues	66,365,134	63,012,634
<b>Program expenses:</b>		
Instructional	37,826,947	34,624,058
Support services	21,448,806	22,622,163
Extracurricular student activities	2,103,826	2,295,534
Food services	1,042,553	1,014,674
Community services	2,956,554	2,723,158
Interest on long-term debt	1,971,725	2,026,817
Total expenses	67,350,411	65,306,404
Increase in net assets	\$ (985,277)	\$ (2,293,770)

**Upper Arlington City School District**  
**Management's Discussion & Analysis**  
For the Fiscal Year Ended June 30, 2004, continued  
(Unaudited)

*Governmental Activities*

Net assets of the District's governmental activities decreased by \$985,277. This decrease in net assets is attributable to: an expected 3% (or \$2 million) increase in total expenses; a \$7.5 increase in property tax revenue, which was primarily attributable to the timing of the county auditor's certification of monies available for advance to the District at year end; and an approximate \$4.1 million decrease in a previously recorded delinquent property tax receivable, which was reduced by the county auditor pursuant to a tax appeal filed by a business residing within the District. It should be noted that this \$4.1 million reduction was an accounting loss under generally accepted accounting principles; however it was never received or budgeted for by the District, thus having no impact on operations.

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.

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

	<u>Total Cost of Services</u>	<u>Net Cost of Service</u>
<u>Programs</u>	<u>2004</u>	<u>2004</u>
Instructional services	\$ 37,826,947	37,064,861
Support services	21,448,806	21,166,563
Extracurricular student activities	2,103,826	755,619
Food services	1,042,553	(45,022)
Community services	2,956,554	88,228
Interest on long-term debt	<u>1,971,725</u>	<u>1,971,725</u>
Total	<u>\$ 67,350,411</u>	<u>61,001,974</u>

Local property taxes make up 72.1% of total revenues for governmental activities. The net services column reflecting the need for \$61,001,974 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 \$14,822,445, which represents an increase of \$4,456,362 as compared to last year's total of \$10,366,083 according

**Upper Arlington City School District**  
**Management's Discussion & Analysis**  
For the Fiscal Year Ended June 30, 2004, continued  
(Unaudited)

to the Governmental Funds Balance Sheet. The schedule below shows the fund balance and the total change in fund balance from June 30, 2004 to 2003.

	Fund Balance at June 30, 2004	Fund Balance at June 30, 2003	Increase (Decrease)
General Fund	\$ 9,240,090	5,217,418	4,022,672
Other Governmental Funds	5,582,355	5,148,665	433,690
Total	<u>\$ 14,822,445</u>	<u>10,366,083</u>	<u>4,456,362</u>

*General Fund*

The District's General Fund balance increased primarily because of the increase in property tax revenues. In Ohio, the portion of property taxes legally available as an advance by June 30 is reported as revenue on both the full accrual and modified accrual basis of accounting. Thus, in the previous year Franklin County certified that the amount of taxes available for advance was approximately \$4,900,000; whereas, the amount available for advance at June 30 2004 was approximately \$9,700,000.

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

**Revenues**

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Property taxes	\$ 50,158,608	\$ 43,255,073	15.96%
Intergovernmental	10,487,730	10,325,407	1.57%
Investment income	168,717	300,488	-43.85%
Other revenue	765,967	982,234	-22.02%
Total	<u>\$ 61,581,022</u>	<u>\$ 54,863,202</u>	12.24%

Overall revenues increased as a result of the increase in property taxes as discussed above. Interest earnings are down 43.9% from fiscal 2003 due to declining interest rates.

As the table below indicates, the largest portion of General Fund expenditures is for instructional cost.

**Expenditures by Function**

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Instructional services	\$ 33,813,159	\$ 31,926,350	5.91%
Support services	21,206,258	21,843,642	-2.92%
Extracurricular student activities	851,715	979,967	-13.09%
Capital Outlay	-	988,200	-100.00%
Debt Service	534,611	541,599	-1.29%
Total	<u>\$ 56,405,743</u>	<u>\$ 56,279,758</u>	0.22%

Expenditures are up only 0.2% over the prior due to the continued emphasis on reducing cost in light of the uncertainty over future revenues.

**Upper Arlington City School District**  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2004, continued  
(Unaudited)

*Other Funds*

Other governmental funds consist of Debt Service Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$433,690.

**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. There were no significant budget modifications other than those to increase property tax revenue for additional amounts as certified by the county auditor.

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

**Capital Assets**

The District has \$59,881,041 invested in capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

**Debt**

On June 30, 2004, the District had \$37,449,366 in long-term outstanding notes and bonds. The District paid \$2,740,000 in principal on notes and bonds outstanding and \$1,910,048 in interest payments during the 2004 fiscal year. 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, 2004, the District's general obligation debt was below the legal limit.

# **BASIC FINANCIAL STATEMENTS**

**THIS PAGE INTENTIONALLY LEFT BLANK**

UPPER ARLINGTON CITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS:</b>	
Equity in pooled cash & investments	\$ 20,124,815
Restricted cash	285,453
Receivables	41,013,280
Due from other governments	380,770
Inventory	109,626
Land	244,883
Depreciable capital assets, net of accumulated depreciation	<u>59,636,158</u>
<b>TOTAL ASSETS</b>	<b><u><u>121,794,985</u></u></b>
<b>LIABILITIES:</b>	
Accounts payable	1,366,826
Accrued interest payable	166,556
Deferred revenue	38,236,720
Accrued liabilities	4,991,352
Long-term Liabilities:	
Due within one year	4,354,423
Due in more than one year	<u>41,501,513</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>90,617,390</u></u></b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	21,601,854
Restricted for:	
Budget stabilization	285,453
Debt Service	2,478,114
Capital projects	988,558
Other purposes	2,115,683
Unrestricted	<u>3,707,933</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>\$ 31,177,595</u></u></b>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

UPPER ARLINGTON CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instructional services:				
Regular	\$ 33,257,618	\$ 71,299	\$ 229,431	\$ (32,956,888)
Special	4,221,857	-	373,070	(3,848,787)
Vocational	347,472	-	88,286	(259,186)
Support services:				
Operation and maintenance of plant	5,568,693	-	-	(5,568,693)
School Administration	3,589,788	-	-	(3,589,788)
Business operations	2,657,165	-	-	(2,657,165)
Pupils	1,074,077	-	30,759	(1,043,318)
Fiscal Services	1,043,921	-	-	(1,043,921)
Instructional staff	4,692,075	-	186,539	(4,505,536)
Student transportation	1,307,823	-	20,388	(1,287,435)
Central services	1,477,461	-	44,557	(1,432,904)
General administration	37,803	-	-	(37,803)
Co-curricular student activities	2,103,826	1,348,207	-	(755,619)
Food Service operations	1,042,553	1,037,740	49,835	45,022
Community services	2,956,554	1,994,920	873,406	(88,228)
Interest on long-term debt	1,971,725	-	-	(1,971,725)
<b>Totals</b>	<b>\$ 67,350,411</b>	<b>\$ 4,452,166</b>	<b>\$ 1,896,271</b>	<b>(61,001,974)</b>
General revenues:				
Property taxes				47,820,349
Grants and entitlements not restricted to specific programs				11,146,516
Investment earnings				198,451
Miscellaneous				851,381
Total general revenues				60,016,697
Change in Net Assets				(985,277)
Net Assets Beginning of Year				32,162,872
Net Assets End of Year				\$ 31,177,595

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

UPPER ARLINGTON CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS :</b>			
Equity in Pooled Cash and investments	\$ 14,310,244	\$ 5,814,571	\$ 20,124,815
Restricted cash	285,453	-	285,453
Receivables	38,137,833	2,871,000	41,008,833
Due from other:			
Governments	-	380,770	380,770
Funds	253,355	-	253,355
Inventory	21,602	88,024	109,626
<b>TOTAL ASSETS</b>	<b>53,008,487</b>	<b>9,154,365</b>	<b>62,162,852</b>
<b>LIABILITIES:</b>			
Accounts payable	1,143,826	223,000	1,366,826
Due to other-			
Funds	-	248,908	248,908
Deferred revenue	37,795,000	2,938,321	40,733,321
Accrued liabilities	4,829,571	161,781	4,991,352
<b>TOTAL LIABILITIES</b>	<b>43,768,397</b>	<b>3,572,010</b>	<b>47,340,407</b>
<b>FUND BALANCES:</b>			
Fund balances:			
Reserved for encumbrances	705,182	736,707	1,441,889
Reserved for inventory	21,602	88,024	109,626
Reserved for future appropriations	9,742,293	770,885	10,513,178
Reserved for budget stabilization	285,453	-	285,453
Unreserved, reported in:			
General fund	(1,514,440)	-	(1,514,440)
Special Revenue funds	-	1,908,075	1,908,075
Debt Service fund	-	1,707,229	1,707,229
Capital Projects funds	-	371,435	371,435
<b>TOTAL FUND BALANCES</b>	<b>9,240,090</b>	<b>5,582,355</b>	<b>14,822,445</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 53,008,487</b>	<b>\$ 9,154,365</b>	<b>\$ 62,162,852</b>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

**Total Governmental Fund Balances** \$ 14,822,445

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. 59,881,041

Other long-term assets are not available to pay for current period  
expenditures and therefore are deferred in the funds. 2,496,601

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	(166,556)
Compensated absences	(7,331,545)
Pension obligation	(411,760)
Bonds and notes payable	(37,449,366)
Capital lease obligations	(663,265)

**Net Assets of Governmental Activities** \$ 31,177,595

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

UPPER ARLINGTON CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES:</b>			
Property taxes	\$ 50,158,608	\$ 3,862,605	\$ 54,021,213
Intergovernmental:			
Federal Restricted Grants-in-aid	7,937	1,072,762	1,080,699
State:			
Unrestricted Grants-in-aid	10,459,405	467,080	10,926,485
Restricted Grants-in-aid	20,388	1,164,697	1,185,085
Investment income	168,717	29,734	198,451
Charges for services	-	3,051,991	3,051,991
Co-curricular activities	106,902	1,184,215	1,291,117
Tuition fees	75,450	-	75,450
Other	583,615	310,924	894,539
<b>TOTAL REVENUES</b>	<b>61,581,022</b>	<b>11,144,008</b>	<b>72,725,030</b>
<b>EXPENDITURES:</b>			
Current:			
Instructional services:			
Regular	29,244,990	392,391	29,637,381
Special	4,213,187	452,221	4,665,408
Vocational	354,982	4,318	359,300
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>33,813,159</b>	<b>848,930</b>	<b>34,662,089</b>
Support services:			
Operation and maintenance of plant	5,237,310	42,711	5,280,021
School administration	3,314,319	179,312	3,493,631
Pupils	3,278,607	187,932	3,466,539
Fiscal	1,049,314	30,201	1,079,515
Business operations	909,955	129,258	1,039,213
Instructional staff	4,768,004	252,373	5,020,377
Student transportation	1,138,428	24,654	1,163,082
Central services	1,473,073	51,514	1,524,587
General administration	37,248	-	37,248
<b>TOTAL SUPPORT SERVICES</b>	<b>21,206,258</b>	<b>897,955</b>	<b>22,104,213</b>
Co-curricular student activities	851,715	1,317,030	2,168,745
Community services	-	2,935,679	2,935,679
Food service	-	1,040,313	1,040,313
Capital outlay	-	1,402,970	1,402,970
Debt service:			
Principal retirement	474,397	2,740,000	3,214,397
Interest	60,214	1,910,048	1,970,262
<b>TOTAL EXPENDITURES</b>	<b>56,405,743</b>	<b>13,092,925</b>	<b>69,498,668</b>
Excess (deficiency) of revenues over expenditures	5,175,279	(1,948,917)	3,226,362
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of long-term notes	-	1,230,000	1,230,000
Transfers in	4,104	1,247,214	1,251,318
Transfers out	(1,156,711)	(94,607)	(1,251,318)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,152,607)</b>	<b>2,382,607</b>	<b>1,230,000</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	4,022,672	433,690	4,456,362
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>5,217,418</b>	<b>5,148,665</b>	<b>10,366,083</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 9,240,090</b>	<b>\$ 5,582,355</b>	<b>\$ 14,822,445</b>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT  
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, 2004

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 4,456,362</b>
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.	(661,492)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(6,350,346)
Repayment of bond principal and capital lease obligation are expenditures in governmental funds, 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.	3,214,397
Proceeds from the issuance of debt obligations is not reported as revenues in the statement of activities.	(1,230,000)
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	(393,993)
Pension obligation	(9,192)
Loss on disposal of fixed assets	(9,550)
Interest expense	(1,463)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (985,277)</u></b>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

		<u>AGENCY FUNDS</u>
<b>ASSETS:</b>		
Cash and investments	\$	674,863
<b>TOTAL ASSETS</b>		<u>674,863</u>
<b>LIABILITIES:</b>		
Accounts payable		103,459
Due to other:		
Funds		4,447
Student Activities		397,328
Due to others		169,629
<b>TOTAL LIABILITIES</b>	\$	<u>674,863</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**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 745 employees. Our student population is 5,560 students.

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. The District has no component units.

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 an other governmental fund for reporting purposes.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School 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 School District as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 School 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 School District.

During the year, the School District segregates transactions related to certain School 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.

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 School 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.

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 School 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 (ie, revenues and other financing sources) and uses (ie, 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.

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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(D) Basis of Accounting*

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

*(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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(E) Budgetary Process*

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.

Appropriations:

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

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

Encumbrances:

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

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(F) Cash and Investments (Continued)*

During fiscal year 2004, investments were limited to various government securities, repurchase agreements 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 nonnegotiable certificates of deposits are reported at cost.

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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, 2004.

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 School 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 2004 amounted to \$168,717, which includes \$29,734 assigned from other funds.

*(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. 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.

*(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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 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:

Buildings & Improvements	50
Furniture and Equipment	5-20
Vehicles	8

*(J) Interfund Activity*

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets.

*(K) 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.

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

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(M) *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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(N) *Fund Balance Reservations*

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, inventory, property taxes for future appropriations, and budget stabilization. (See Note 13)

(O) *Estimates*

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

**3. DEPOSITS AND INVESTMENTS**

State statutes require the classification of monies held by the School District into three categories.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near- cash" status for immediate use by the District. Such monies must be maintained either as cash in the School Treasury, in depository accounts payable, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" monies, 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 the certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance (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.

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)

**3. DEPOSITS AND INVESTMENTS (Continued)**

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;

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 School 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*

The District's bank deposits at June 30, 2004 were \$2,078,998. The carrying balance was \$2,083,060. Of the bank balance, \$300,000 was covered by Federal depository insurance, and \$1,778,998 was uninsured and uncollateralized. The \$1,778,998 was covered by pooled collateral or letter of credit as provided in Ohio Revised Code Chapter 135. All deposits are in institutions who are members of the Federal Reserve System.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**  
*Investments*

The District's investments are categorized to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the Counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the Counter party or its trust department or agent, but not in the District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value
	1	2	3	
U.S. Treasury and agency obligations	\$ -	4,994,562	-	4,994,562
Repurchase agreement	-	-	6,357,000	6,357,000
STAR Ohio	-	-	-	7,638,187
Total investments	-	4,994,562	6,357,000	18,989,749
Deposits:				
Cash deposits including cash on hand of \$12,322				2,095,382
Total cash and investments				\$ 21,085,131

A reconciliation between classifications of cash and cash equivalents on the financial statements and classification of deposits and investments presented below per GASB Statement No. 3 is as follows:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 21,085,131	
Investment of the Cash Management Pool		
Repurchase agreement	(6,357,000)	6,357,000
STAR Ohio	(7,638,187)	7,638,187
Government Obligations	(4,994,562)	4,994,562
GASB Statement 3	\$ 2,095,382	18,989,749

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. RECEIVABLES**

Receivables at June 30, 2004, consist of the following:

	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
Governmental activities:				
General	\$38,066,000	6,519	65,314	38,137,833
Other governmental funds	<u>2,871,000</u>	<u>-</u>	<u>-</u>	<u>2,871,000</u>
Total	<u>\$40,937,000</u>	<u>6,519</u>	<u>65,314</u>	<u>41,008,833</u>

**5. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2003, follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2004</u>
<u>Governmental Activities Cost</u>				
Land (not being depreciated)	244,883			244,883
Building and improvements	67,027,319	2,151,286	-	69,178,605
Furniture, fixtures and equipment	22,169,521	455,259	63,776	22,561,004
Vehicles	1,406,228	42,710	41,362	1,407,576
Total at cost	<u>90,847,951</u>	<u>2,649,255</u>	<u>105,138</u>	<u>93,392,068</u>
<u>Less accumulated depreciation</u>				
Building and improvements	19,731,855	1,296,923		21,028,778
Furniture, fixtures and equipment	9,558,446	1,921,016	54,226	11,425,236
Vehicles	1,005,567	92,808	41,362	1,057,013
Total accumulated depreciation	<u>30,295,868</u>	<u>3,310,747</u>	<u>95,588</u>	<u>33,511,027</u>
Capital assets, net	<u>60,552,083</u>	<u>(661,492)</u>	<u>9,550</u>	<u>59,881,041</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$ 3,027,613
Special	30,080
Support services:	
School Administration	29,864
Operation of maintenance and plant	98,295
Student Transportation	87,469
Food Service operations	37,426
Total depreciation expense	\$ 3,310,747

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**6. LONG-TERM OBLIGATIONS**

A summary for changes in long-term obligations for the year ended June 30, 2004, follows:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Accrued liabilities (accrued vacation and sick leave)	\$ 6,937,553	\$ 7,331,545	\$ 6,937,553	\$ 7,331,545
Capital Leases	1,137,662	-	474,397	663,265
HB 264 Energy Conversation Note	1,230,000	1,230,000	1,230,000	1,230,000
Pension Obligation	402,568	411,760	402,568	411,760
General obligation bonds	37,729,366	-	1,510,000	36,219,366
	<u>\$ 47,437,149</u>	<u>\$ 8,973,305</u>	<u>\$ 10,554,518</u>	<u>\$ 45,855,936</u>

Amounts Due In One Year	
Compensated Absences Payable	\$ 733,594
Capital Leases	504,069
Pension Obligation	411,760
General obligation bonds & note payable	2,705,000
Total due within one year	<u>\$ 4,354,423</u>

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

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

The annual maturities of the general obligation bonds and notes as of June 30, 2004, and related interest payments are as follows:

Year ending June 30,	Interest rate (%)	Principal	Interest
2005	5.4 - 5.9	\$ 2,705,000	\$ 1,854,486
2006	5.4 - 5.9	1,170,000	1,754,269
2007	5.4 - 5.9	1,275,000	1,689,206
2008	5.4 - 5.9	1,375,000	1,625,900
2009	5.4 - 5.9	1,480,000	1,556,296
2010 - 2014	5.4 - 5.9	5,379,366	10,414,579
2015 - 2019	5.4 - 5.9	11,835,000	4,803,806
2020 - 2023	5.4 - 5.9	12,230,000	1,299,153
Total		<u>\$ 37,449,366</u>	<u>\$ 24,997,695</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**6. LONG-TERM OBLIGATIONS (Continued)**

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, 2004 the District's total net debt and unvoted net debt were approximately \$67,391,753 and \$1,299,102,818 of the total assessed value of all property within the school district.

Capital Lease Obligation

The District has entered into a capital lease obligation for the use of various technology equipment and related software as well as copier leases. The cost of this equipment which is included in the District's capital asset is \$1,137,662.

The annual maturities of the capital lease obligation as of June 30, 2004, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2005	6.20%-9.65%	504,069	32,407
2006	6.20%-9.65%	159,196	9,870
Total		<u>\$ 663,265</u>	<u>\$ 42,277</u>

**7. SHORT-TERM OBLIGATIONS**

Short-term Notes Payable activity of the District for the year ended June 30, 2004 was as follows:

	<u>Principal Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 6/30/04</u>
2000 Bond Anticipation- Computer Acq. Note 2.95%	\$300,000	0	\$300,000	\$0

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

***A. State Teachers Retirement System***

The School 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 financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$4,633,632, \$4,398,982; and \$4,258,600; respectively.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

***B. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$1,235,280; \$1,175,134; and \$1,062,800; respectively.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$25,485 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$50,839.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**10. 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, however the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The Academy is independent upon continued support of the member schools as it is not independently accumulating adequate financial resources. The District is the financial agent for the Academy, as such; cash in the amount of \$169,629 is accounted for in an Agency Fund. Further detailed financial information may be obtained by contacting the Upper Arlington City School District at 614-487-5007.

**11. PROPERTY TAXES**

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates, as established by Franklin County, were January 22, 2004 and June 20, 2004, for those taxes due during 2004.

Real property taxes collected during calendar year 2004 had a lien and levy date of January 1, 2003. Tangible personal property taxes collected during calendar year 2004 had a lien and levy date of January 1, 2004.

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in December 1999. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). The assessed value for collection in 2004, upon which the 2003 levies were based, was as follows:

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**11. PROPERTY TAXES (Continued)**

Real Estate	\$ 1,260,449,720
Public Utility	18,011,390
Tangible Property	20,641,708
Total	<u>\$ 1,299,102,818</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .565% (5.65 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases. The total tax rate for the District, including voted increases, was 89.11 mills in 2004.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Upper Arlington City School District. The Franklin County Auditor periodically remits to the District its portion of the taxes collected. Property taxes may be paid on either an annual or semiannual basis.

**12. 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.

**13. SET-ASIDE CALCULATIONS**

The School 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. State law has set the amount for the set-aside at the number of students times 3% of the average cost per pupil.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition reserves. Disclosure of this information is required by State statute.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**13. SET-ASIDE CALCULATIONS (Continued)**

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Set-aside balance, July 1, 2003	\$ -	\$ -	\$ 285,453
Current year set-aside requirement	802,324	802,324	-
Qualifying expenditures	(1,677,180)	(1,890,801)	-
Total	<u>\$ (874,856)</u>	<u>\$ (1,088,477)</u>	<u>\$ 285,453</u>
Set-aside balance, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,453</u>

Amounts listed as qualifying disbursements in this table are the total amounts for the year. As the School District set-aside had an excess of qualifying disbursements, the set-aside cash balance carried forward is \$0 for textbooks and capital acquisition.

**14. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**15. 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 2004 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 \$50,000 public official bond for the Treasurer and Business Manager.

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)

16. SUBSEQUENT EVENTS

**A. Levy Passage**

On November 2, 2004, the Citizens of the District authorized by vote a 7.5 mil operating levy. This levy is expected to generate \$9.8 million annually in additional revenues.

**B. Note issuance**

On November 4, 2004, the District issued \$1,230,000 in notes for the purposing of refinancing notes of the same amount. The original notes were issued for the purpose of making building improvements for energy conservation. The new notes were issued at 2.47% and mature on November 3, 2005.

**THIS PAGE INTENTIONALLY LEFT BLANK**

# **REQUIRED SUPPLEMENTARY INFORMATION**

**THIS PAGE INTENTIONALLY LEFT BLANK**

REQUIRED SUPPLEMENTARY INFORMATION  
UPPER ARLINGTON CITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Property taxes	\$ 41,519,632	52,100,926	50,590,233	(1,510,693)
Investment income	375,000	375,000	197,343	(177,657)
Tuition fees	58,500	58,500	61,890	3,390
Co-curricular	112,500	112,500	106,902	(5,598)
Miscellaneous	1,904,970	769,500	548,643	(220,857)
State sources	10,227,000	10,172,000	10,479,793	307,793
Federal sources	5,000	5,000	7,937	2,937
<b>TOTAL REVENUES</b>	<u>54,202,602</u>	<u>63,593,426</u>	<u>61,992,741</u>	<u>(1,600,685)</u>
<b>EXPENDITURES:</b>				
<b>REGULAR INSTRUCTION:</b>				
Salaries and wages	22,689,470	22,699,834	22,608,368	91,466
Employee benefits	6,099,245	6,086,316	6,121,058	(34,742)
Purchased services	902,772	884,728	720,631	164,097
Supplies and materials	636,735	759,980	722,181	37,799
Capital Outlay	38,457	156,058	147,563	8,495
Other	7,900	4,900	3,950	950
<b>TOTAL REGULAR INSTRUCTION</b>	<u>30,374,579</u>	<u>30,591,816</u>	<u>30,323,751</u>	<u>268,065</u>
<b>SPECIAL INSTRUCTION:</b>				
Salaries and wages	3,665,393	3,667,798	3,321,758	346,040
Employee benefits	1,050,593	1,050,918	869,385	181,533
Purchased services	48,624	73,919	16,722	57,197
Supplies and materials	5,016	10,994	9,302	1,692
Capital Outlay	-	313	313	-
<b>TOTAL SPECIAL INSTRUCTION</b>	<u>4,769,626</u>	<u>4,803,942</u>	<u>4,217,480</u>	<u>586,462</u>
<b>VOCATIONAL INSTRUCTION:</b>				
Purchased services	275,016	275,000	270,666	4,334
Supplies and materials	3,804	4,456	4,461	(5)
Capital Outlay	5,000	5,000	-	5,000
<b>TOTAL VOCATIONAL INSTRUCTION</b>	<u>283,820</u>	<u>284,456</u>	<u>275,127</u>	<u>9,329</u>
<b>PUPIL SERVICES:</b>				
Salaries and wages	2,775,243	2,774,099	2,531,589	242,510
Employee benefits	746,274	746,568	659,117	87,451
Purchased services	30,876	48,591	46,804	1,787
Supplies and materials	43,706	56,686	54,237	2,449
Capital Outlay	1,200	-	-	-
Other	400	550	550	-
<b>TOTAL PUPIL SERVICES</b>	<u>\$ 3,597,699</u>	<u>3,626,494</u>	<u>3,292,297</u>	<u>334,197</u>

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION  
UPPER ARLINGTON CITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)  
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>INSTRUCTIONAL STAFF:</b>				
Salaries and wages	\$ 2,126,247	2,113,043	2,018,611	94,432
Employee benefits	604,546	612,186	495,992	116,194
Purchased services	1,816,914	2,142,670	2,239,090	(96,420)
Supplies and materials	266,307	333,027	313,088	19,939
Capital Outlay	11,749	42,254	41,579	675
Other	4,000	12,123	12,108	15
<b>TOTAL INSTRUCTIONAL STAFF</b>	<u>4,829,763</u>	<u>5,255,303</u>	<u>5,120,468</u>	<u>134,835</u>
<b>BOARD OF EDUCATION</b>				
Salaries and wages	12,000	12,000	8,800	3,200
Employee benefits	1,300	1,300	1,001	299
Purchased services	7,500	7,998	4,583	3,415
Supplies and materials	4,000	4,121	1,872	2,249
Other	22,000	22,000	18,672	3,328
<b>TOTAL BOARD OF EDUCATION</b>	<u>46,800</u>	<u>47,419</u>	<u>34,928</u>	<u>12,491</u>
<b>SCHOOL ADMINISTRATION:</b>				
Salaries and wages	2,223,433	2,216,423	2,358,462	(142,039)
Employee benefits	702,320	709,476	640,393	69,083
Purchased services	541,861	638,464	589,851	48,613
Supplies and materials	33,503	29,903	24,765	5,138
Capital Outlay	18,301	41,198	36,483	4,715
Other	650	201	201	-
<b>TOTAL SCHOOL ADMINISTRATION</b>	<u>3,520,068</u>	<u>3,635,665</u>	<u>3,650,155</u>	<u>(14,490)</u>
<b>FISCAL SERVICES:</b>				
Salaries and wages	358,320	358,321	348,966	9,355
Employee benefits	134,578	137,308	139,809	(2,501)
Purchased services	26,500	39,546	34,502	5,044
Supplies and materials	16,000	10,251	8,197	2,054
Capital outlay	1,000	3,026	2,409	617
Other	713,550	602,439	496,910	105,529
<b>TOTAL FISCAL SERVICES</b>	<u>1,249,948</u>	<u>1,150,891</u>	<u>1,030,793</u>	<u>120,098</u>
<b>BUSINESS OPERATIONS</b>				
Salaries and wages	185,164	183,164	175,131	8,033
Employee benefits	56,110	71,080	68,212	2,868
Purchased services	376,175	338,817	334,511	4,306
Supplies and materials	34,600	20,519	17,028	3,491
Capital outlay	40,000	72,179	56,972	15,207
Other	975	685	685	-
<b>TOTAL BUSINESS OPERATIONS</b>	<u>\$ 693,024</u>	<u>686,444</u>	<u>652,539</u>	<u>33,905</u>

REQUIRED SUPPLEMENTARY INFORMATION  
UPPER ARLINGTON CITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)  
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>OPERATION AND MAINTENANCE OF PLANT:</b>				
Salaries and wages	\$ 2,644,527	2,653,887	2,554,253	99,634
Employee benefits	956,410	950,323	891,828	58,495
Purchased services	1,629,413	1,725,070	1,514,726	210,344
Supplies and materials	333,773	533,692	519,416	14,276
Capital outlay	2,000	12,956	12,956	-
Other	350	90	90	-
<b>TOTAL OPERATION AND MAINTENANCE OF PLANT</b>	<u>5,566,473</u>	<u>5,876,018</u>	<u>5,493,269</u>	<u>382,749</u>
<b>STUDENT TRANSPORTATION:</b>				
Salaries and wages	803,869	803,869	803,490	379
Employee benefits	218,198	218,704	196,033	22,671
Purchased services	16,076	11,229	10,770	459
Supplies and materials	122,000	152,487	152,760	(273)
Capital Outlay	-	-	-	-
<b>TOTAL STUDENT TRANSPORTATION</b>	<u>1,160,143</u>	<u>1,186,289</u>	<u>1,163,053</u>	<u>23,236</u>
<b>CENTRAL SERVICES:</b>				
Salaries and wages	869,653	869,654	777,718	91,936
Employee benefits	201,921	202,888	212,155	(9,267)
Purchased services	302,737	675,424	498,122	177,302
Supplies and materials	64,258	68,828	61,259	7,569
Capital outlay	193,747	218,621	209,915	8,706
Other	1,400	1,439	1,088	351
<b>TOTAL CENTRAL SERVICES</b>	<u>1,633,716</u>	<u>2,036,854</u>	<u>1,760,257</u>	<u>276,597</u>
<b>CO-CURRICULAR ACTIVITIES:</b>				
Salaries and wages	834,802	839,481	766,376	73,105
Employee benefits	137,726	140,426	80,992	59,434
Purchased services	8,300	8,510	4,599	3,911
Supplies and materials	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL CO-CURRICULAR ACTIVITIES</b>	<u>980,828</u>	<u>988,417</u>	<u>851,967</u>	<u>136,450</u>
<b>TOTAL EXPENDITURES</b>	<u>58,706,487</u>	<u>60,170,008</u>	<u>57,866,084</u>	<u>2,303,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,503,885)</u>	<u>3,423,418</u>	<u>4,126,657</u>	<u>703,239</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Other	<u>(1,281,000)</u>	<u>(1,077,500)</u>	<u>(1,077,347)</u>	<u>153</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,281,000)</u>	<u>(1,077,500)</u>	<u>(1,077,347)</u>	<u>153</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>(5,784,885)</u>	<u>2,345,918</u>	<u>3,049,310</u>	<u>703,392</u>
<b>Prior year encumbrances appropriated</b>	<u>1,222,546</u>	<u>1,222,546</u>	<u>1,222,546</u>	<u>-</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>8,864,155</u>	<u>8,864,155</u>	<u>8,864,155</u>	<u>-</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 4,301,816</u>	<u>12,432,619</u>	<u>13,136,011</u>	<u>703,392</u>

# UPPER ARLINGTON CITY SCHOOL DISTRICT

## Notes to the Required Supplementary Information

For the Year Ended June 30, 2004

---

### **NOTE A - RECONCILING BUDGET BASIS AND GAAP**

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual column presented on the Budgetary Comparison Schedule – General Fund is prepared 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);
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis); and
- D. Investments are recorded at cost (budget basis) as opposed to fair value (GAAP basis).

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

Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP Basis)	\$ 4,022,672
<b>Adjustments</b>	
Due to revenues	411,719
Due to expenditures	(1,460,341)
Due to other financing sources	75,260
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u>\$ 3,049,310</u>

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>United States Department of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	NA	\$ -	\$ 22,057	\$ -	\$ 22,057
National School Lunch Program	10.555	044933-LLP4-2003/2004	36,443		36,443	-
<i>Total Nutrition Cluster/Total United States Department of Agriculture</i>			<b>36,443</b>	<b>22,057</b>	<b>36,443</b>	<b>22,057</b>
<b>United States Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	044933-C1S1-2004	118,470	-	106,633	-
Special Education_Grants to States	84.027	044933-6BSF-2003P/2004	479,335	-	755,755	-
Special Education_Preschool Grant	84.173	044933-PGS1-2002	-	-	1,371	-
Total Special Education Cluster			<b>479,335</b>	<b>-</b>	<b>757,126</b>	<b>-</b>
Federal Perkins Loan Program_Federal Capital Contributions	84.038	044933	30,759	-	19,854	-
Safe and Drug-Free Schools and Communities_National Programs	84.184	044933-T4S1-2004P/2004	23,457	-	19,830	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	044933-DRS1-2003/2004	11,367		13,971	-
Eisenhower Professional Development State Grant	84.281	044933-MSS4-2001	(1,000)	-	-	-
Innovative Educational Program Strategies	84.298	044933-C2S1-2002/2003/2004	6,930	-	38,107	-
Technology Literacy Challenge Fund Grants	84.318	044933-TJS1-2004	455	-	-	-
Vocational Education_Occupational and Employment Information State Grants	84.346	OEOO-2004	4,900	-	2,957	-
School Renovation Grants	84.352	044933-ATS1/S2/S3-2002	(227)	-	1,331	-
English Language Acquisition Grants	84.365	044933-T3S1-2003	6,698	-	8,843	-
Improving Teacher Quality State Grants	84.367	044933-TRS1-2003/2004	60,870	-	57,325	-
<i>Total United States Department of Education</i>			<b>623,544</b>	<b>-</b>	<b>919,344</b>	<b>-</b>
<b>United States Department of Health and Human Services</b>						
<b>Corporation for National and Community Service</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	93.778	044933	4,882	-	4,882	-
<b>Corporation for National and Community Service</b>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America_School and Community Based Programs	94.004	044933-SVS1-2004	30,000	-	42,920	-
<b>Total Federal Awards</b>			<b>\$ 813,339</b>	<b>\$ 22,057</b>	<b>\$ 1,110,222</b>	<b>\$ 22,057</b>

The accompanying notes to this schedule 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 YEAR ENDED JUNE 30, 2004**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

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 market value of the commodities received.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 15, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402      (800) 443-9275      Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

December 15, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of 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 are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

The management of the District 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 15, 2004.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

December 15, 2004

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.027 and 84.173 – Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 15, 2005**