



**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001

**UPPER ARLINGTON SCHOOL DISTRICT
FRANKLIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general purpose financial statements of the Upper Arlington City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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 opinion.

We were unable to obtain sufficient, competent evidence to support the amounts reported as property, plant, and equipment in the financial statements.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the accuracy of the amounts reported as property, plant, and equipment, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19 to the general purpose financial statements, the District adopted *Governmental Accounting Standards Board Statements 33 and 36* as of and for the year ended June 30, 2001.

As described in Note 19 to the general purpose financial statements, certain corrections were made to restate fund balance as of July 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2001 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.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

December 3, 2001

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**Upper Arlington City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 9,122,146	1,080,785	1,562,366	1,177,713
Restricted cash and investments	285,453	-	-	-
Receivable:				
Taxes	36,624,000	-	3,101,600	-
Intergovernmental	-	49,500	-	-
Accrued interest	94,381	2,605	15,674	-
Accounts	1,071	11,689	-	10,877
Due from other funds	1,039,550	-	-	-
Inventory	21,720	58,052	-	-
Property and plant and equipment	-	-	-	-
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long term debt	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 47,188,321	1,202,631	4,679,640	1,188,590
LIABILITIES:				
Accounts payable	\$ 695,869	188,202	16,532	235,361
Accrued wages and benefits	5,871,204	92,801	-	-
Compensated absences payable	748,404	-	-	-
Due to other:				
Governments	815,800	15,401	-	-
Funds	-	35,050	-	1,000,000
Other	-	-	-	-
Deferred revenue	33,311,720	-	2,819,280	-
Accrued Interest payable	-	-	-	24,449
Capital lease payable	-	-	-	-
General obligations bonds and notes payable	-	-	-	300,000
Total Liabilities	41,442,997	331,454	2,835,812	1,559,810
FUND EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balance:				
Reserved for future years appropriations	3,312,367	-	282,293	-
Reserved for encumbrances	786,108	93,847	-	683,029
Reserved for inventory and prepaid assets	21,720	58,052	-	-
Reserved for budgetary stabilization	285,453	-	-	-
Unreserved	1,339,676	719,278	1,561,535	(1,054,249)
TOTAL FUND EQUITY AND OTHER CREDITS	5,745,324	871,177	1,843,828	(371,220)
TOTAL LIABILITIES AND FUND EQUITY	\$ 47,188,321	1,202,631	4,679,640	1,188,590

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals Memorandum Only</u>
<u>Enterprise</u>	<u>Expendable Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long Term Obligation</u>	<u>2001</u>
604,545	524,061	-	-	14,071,616
-	-	-	-	285,453
-	-	-	-	39,725,600
1,253	-	-	-	50,753
-	-	-	-	112,660
10,057	1,638	-	-	35,332
-	-	-	-	1,039,550
25,072	-	-	-	104,844
58,236	-	73,768,371	-	73,826,607
-	-	-	1,843,828	1,843,828
-	-	-	45,909,207	45,909,207
699,163	525,699	73,768,371	47,753,035	177,005,450
39,871	48,064	-	-	1,223,899
43,533	-	-	-	6,007,538
102,562	8,463	-	4,985,733	5,845,162
5,651	1,753	-	365,000	1,203,605
4,500	-	-	-	1,039,550
-	287,401	-	-	287,401
12,217	-	-	-	36,143,217
-	-	-	-	24,449
-	-	-	1,232,936	1,232,936
-	-	-	41,169,366	41,469,366
208,334	345,681	-	47,753,035	94,477,123
-	-	73,768,371	-	73,768,371
490,829	-	-	-	490,829
-	-	-	-	3,594,660
-	-	-	-	1,562,984
-	-	-	-	79,772
-	-	-	-	285,453
-	180,018	-	-	2,746,258
490,829	180,018	73,768,371	-	82,528,327
699,163	525,699	73,768,371	47,753,035	177,005,450

Upper Arlington City School District
Combined Statement of Revenues, Expenditures and Change in Fund Balance
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2001

	<u>Governmental Fund Type</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
REVENUES:			
Taxes	\$ 41,664,975	-	3,741,492
Intergovernmental			
Federal Restricted Grants - in - Aid	8,835	582,655	-
State:			
Unrestricted Grants - in - Aid	9,018,316	39,600	-
Restricted Grants - in - Aid	27,010	1,119,822	484,121
Investment Income	979,272	20,101	125,712
Co-Curricular Activities	95,986	1,302,164	-
Tuition and Fees	50,018	24,292	-
Other	774,850	121,492	-
Total Revenues	52,619,262	3,210,126	4,351,325
EXPENDITURES:			
Current:			
Instruction Services:			
Regular	26,710,420	69,762	-
Special	3,744,222	182,821	-
Vocational	98,715	-	-
Total Instructional Services	30,553,357	252,583	-
Support Services:			
Operation and maintenance of plant	4,833,118	110	-
School administration	3,035,715	48,202	-
Instructional staff	4,496,537	401,034	-
Pupils	3,112,444	63,880	-
Business operations	1,715,761	-	39,404
Student transportation	1,062,773	15,943	-
Central services	1,283,369	22,883	-
General administration	56,586	-	-
Total Support Services	19,596,303	552,052	39,404
Extracurricular activities	1,150,298	1,333,217	-
Community services	-	975,351	-
Capital outlay	773,138	6,863	-
Debt service:			
Principal retirement	532,100	-	2,075,000
Interest and fiscal charges	46,727	-	2,120,214
Total Expenditures	52,651,923	3,120,066	4,234,618
Excess (deficiency) of revenues over expenditures	(32,661)	90,060	116,707
OTHER FINANCING SOURCES (USES):			
Proceeds from capital lease obligations	802,915	-	-
Proceeds from issuance of notes	-	-	-
Transfer in	-	115,793	-
Transfers out	(1,140,793)	-	(165,500)
Total Other Financing Sources (Uses)	(337,878)	115,793	(165,500)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(370,539)	205,853	(48,793)
Fund balances at beginning of year, as restated	6,115,863	665,324	1,892,621
Fund balances at end of year	\$ 5,745,324	871,177	1,843,828

See accompanying notes to the general purpose financial statements

<u>Governmental Fund Type Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only) 2001</u>
-	-	45,406,467
-	-	591,490
-	-	9,057,916
66,775	-	1,697,728
37,430	6,541	1,169,056
-	-	1,398,150
-	-	74,310
18,644	3,279	918,265
122,849	9,820	60,313,382
70,290	-	26,850,472
-	-	3,927,043
-	-	98,715
70,290	-	30,876,230
21,051	-	4,854,279
-	-	3,083,917
-	-	4,897,571
-	-	3,176,324
92,444	359	1,847,968
-	-	1,078,716
-	-	1,306,252
-	-	56,586
113,495	359	20,301,613
-	112	2,483,627
-	19,486	994,837
746,064	-	1,526,065
-	-	2,607,100
41,426	-	2,208,367
971,275	19,957	60,997,839
(848,426)	(10,137)	(684,457)
-	-	802,915
575,000	-	575,000
1,165,500	-	1,281,293
-	(18,152)	(1,324,445)
1,740,500	(18,152)	1,334,763
892,074	(28,289)	650,306
(1,263,294)	208,307	7,618,821
(371,220)	180,018	8,269,127

**UPPER ARLINGTON CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES -- BUDGET AND ACTUAL --
 ALL GOVERNMENTAL FUND TYPES -- BUDGET BASIS
 YEAR ENDED JUNE 30, 2001**

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 39,459,896	39,932,967	473,071
Intergovernmental	8,398,284	9,054,161	655,877
Investment income	855,000	1,001,866	146,866
Tuition fees	46,000	50,018	4,018
Extracurricular Activities	87,000	95,986	8,986
Gifts and Donations	-	-	-
Miscellaneous	509,683	702,397	192,714
TOTAL REVENUES	49,355,863	50,837,395	1,481,532
EXPENDITURES:			
Instructional services:			
Regular	26,407,564	26,327,664	79,900
Special	3,452,031	3,446,543	5,488
Vocational	153,343	153,343	-
Other	-	-	-
TOTAL INSTRUCTIONAL SERVICES	30,012,938	29,927,550	85,388
Support services:			
Pupils	3,210,148	3,200,148	10,000
Instructional staff	4,618,499	4,580,176	38,323
Board of Education	42,616	42,616	-
School administration	3,111,326	3,081,485	29,841
Fiscal services	1,089,759	1,089,759	-
Business operations	462,417	462,417	-
Operation and maintenance of plant	5,104,148	5,104,148	-
Student transportation	1,199,810	1,171,810	28,000
Central services	1,573,193	1,573,193	-
TOTAL SUPPORT SERVICES	20,411,916	20,305,752	106,164
Facilities acquisition and construction services	210	210	-
Extracurricular Activities	976,368	976,368	-
Community services	-	-	-
Repayment of debt	-	-	-
TOTAL EXPENDITURES	51,401,432	51,209,880	191,552
Excess (deficiency) of revenues over expenditures	(2,045,569)	(372,485)	1,673,084
OTHER FINANCING SOURCES (USES):			
Other	6,000	982	(5,018)
Transfers in	-	380,381	380,381
Transfers out	(1,140,793)	(1,140,793)	-
Advances in	1,359,512	1,359,512	-
Advances out	(1,039,550)	(1,039,550)	-
Refund of prior year expenditures (receipts)	4,682	70,400	65,718
Pass through payments	(41,152)	-	41,152
Proceeds from sale of notes	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(851,301)	(369,068)	482,233
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,896,870)	(741,553)	2,155,317
Prior year encumbrances appropriated	630,769	630,769	-
FUND BALANCES AT BEGINNING OF YEAR	8,373,612	8,373,612	-
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 6,107,511	8,262,828	2,155,317

See accompanying notes to the general purpose financial statements.

UPPER ARLINGTON CITY SCHOOL DISTRICT

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
-	-	-	3,973,321	3,628,641	(344,680)
2,033,374	1,927,544	(105,830)	477,753	484,121	6,368
14,941	17,496	2,555	5,000	122,116	117,116
15,000	23,310	8,310	-	-	-
1,330,319	1,293,998	(36,321)	-	-	-
6,000	15,600	9,600	-	-	-
92,000	188,730	96,730	-	-	-
3,491,634	3,466,678	(24,956)	4,456,074	4,234,878	(221,196)
246,692	205,773	40,919	-	-	-
221,815	192,147	29,668	-	-	-
53,254	49,928	3,326	-	-	-
500	-	500	-	-	-
522,261	447,848	74,413	-	-	-
117,864	66,458	51,406	-	-	-
472,023	406,137	65,886	-	-	-
-	-	-	-	-	-
48,202	48,202	-	-	-	-
-	-	-	44,977	44,977	-
-	-	-	-	-	-
110	110	-	-	-	-
21,501	15,655	5,846	-	-	-
36,467	23,883	12,584	-	-	-
696,167	560,445	135,722	44,977	44,977	-
6,852	6,852	-	-	-	-
1,635,117	1,359,191	275,926	-	-	-
1,051,696	950,397	101,299	-	-	-
-	-	-	5,235,714	5,235,714	-
3,912,093	3,324,733	587,360	5,280,691	5,280,691	-
(420,459)	141,945	562,404	(824,617)	(1,045,813)	(221,196)
-	-	-	-	-	-
106,793	115,793	9,000	-	-	-
-	-	-	-	-	-
30,550	39,550	9,000	-	-	-
(206,026)	(206,088)	(62)	-	-	-
(30,291)	(27,665)	2,626	-	-	-
(346,378)	(346,378)	-	-	-	-
-	-	-	900,000	875,000	(25,000)
(445,352)	(424,788)	20,564	900,000	875,000	(25,000)
(865,811)	(282,843)	582,968	75,383	(170,813)	(246,196)
193,094	193,094	-	-	-	-
906,769	906,769	-	1,733,179	1,733,179	-
234,052	817,020	582,968	1,808,562	1,562,366	(246,196)

**UPPER ARLINGTON CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES -- BUDGET AND ACTUAL --
 ALL GOVERNMENTAL FUND TYPES -- BUDGET BASIS
 YEAR ENDED JUNE 30, 2001**

	CAPITAL PROJECT FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	-	-	-
Intergovernmental	68,169	66,775	(1,394)
Investment income	20,000	26,553	6,553
Tuition fees	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Miscellaneous	11,500	11,500	-
TOTAL REVENUES	99,669	104,828	5,159
EXPENDITURES:			
Instructional services:			
Regular	112,099	72,844	39,255
Special	-	-	-
Vocational	-	-	-
Continuing	-	-	-
TOTAL INSTRUCTIONAL SERVICES	112,099	72,844	39,255
Support services:			
Pupils	-	-	-
Instructional staff	1,434	-	1,434
Board of Education	-	-	-
School administration	-	-	-
Fiscal services	-	-	-
Business operations	119,408	119,408	-
Operation and maintenance of plant	21,051	21,051	-
Student transportation	-	-	-
Central services	-	-	-
TOTAL SUPPORT SERVICES	141,893	140,459	1,434
Facilities acquisition and construction services	1,338,795	1,338,795	-
Extracurricular Activities	-	-	-
Community services	-	-	-
Repayment of debt	-	-	-
TOTAL EXPENDITURES	1,592,787	1,552,098	40,689
Excess (deficiency) of revenues over expenditures	(1,493,118)	(1,447,270)	45,848
OTHER FINANCING SOURCES (USES):			
Other	1,700	1,700	-
Transfers in	1,000,000	1,000,000	-
Transfers out	(998)	-	998
Advances in	914,324	1,000,000	85,676
Advances out	(1,157,936)	(1,157,936)	-
Refund of prior year expenditures (receipts)	-	5,444	5,444
Pass through payments	-	-	-
Proceeds from sale of notes	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	757,090	849,208	92,118
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(736,028)	(598,062)	137,966
Prior year encumbrances appropriated	555,301	555,301	-
FUND BALANCES AT BEGINNING OF YEAR	495,033	495,033	-
FUND BALANCES (DEFICIT) AT END OF YEAR	314,306	452,272	137,966

See accompanying notes to the general purpose financial statements.

UPPER ARLINGTON CITY SCHOOL DISTRICT

(TOTALS MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
43,433,217	43,561,608	128,391
10,977,580	11,532,601	555,021
894,941	1,168,031	273,090
61,000	73,328	12,328
1,417,319	1,389,984	(27,335)
6,000	15,600	9,600
613,183	902,627	289,444
57,403,240	58,643,779	1,240,539
26,766,355	26,606,281	160,074
3,673,846	3,638,690	35,156
206,597	203,271	3,326
500	-	500
30,647,298	30,448,242	199,056
3,328,012	3,266,606	61,406
5,091,956	4,986,313	105,643
42,616	42,616	-
3,159,528	3,129,687	29,841
1,134,736	1,134,736	-
581,825	581,825	-
5,125,309	5,125,309	-
1,221,311	1,187,465	33,846
1,609,660	1,597,076	12,584
21,294,953	21,051,633	243,320
1,345,857	1,345,857	-
2,611,485	2,335,559	275,926
1,051,696	950,397	101,299
5,235,714	5,235,714	-
62,187,003	61,367,402	819,601
(4,783,763)	(2,723,623)	2,060,140
7,700	2,682	(5,018)
1,106,793	1,496,174	389,381
(1,141,791)	(1,140,793)	998
2,304,386	2,399,062	94,676
(2,403,512)	(2,403,574)	(62)
(25,609)	48,179	73,788
(387,530)	(346,378)	41,152
900,000	875,000	(25,000)
360,437	930,352	569,915
(4,423,326)	(1,793,271)	2,630,055
1,379,164	1,379,164	-
11,508,593	11,508,593	-
8,464,431	11,094,486	2,630,055

**Upper Arlington City School District
 Combined Statement of Revenues, Expenses and Changes
 in Retained Earnings -- Enterprise Funds
 For the Fiscal Year Ended June 30, 2001**

	ENTERPRISE FUNDS 2001
OPERATING REVENUES	
Food Service Sales	\$ 973,845
Charges for Service	1,890,723
Miscellaneous	8,830
TOTAL OPERATING REVENUES	2,873,398
OPERATING EXPENSES:	
Personal services	1,476,378
Employee benefits	372,201
Purchased services	140,849
Materials and supplies	805,145
Depreciation	13,974
Other	13,798
TOTAL OPERATING EXPENSES	2,822,345
OPERATING INCOME	51,053
NON- OPERATING REVENUES:	
Interest	320
Donated commodities	32,079
Operating grants	33,324
TOTAL NON- OPERATING REVENUES	65,723
INCOME BEFORE OPERATING TRANSFER	116,776
Operating transfer in	43,152
NET INCOME	159,928
BEGINNING RETAINED EARNINGS	330,901
ENDING RETAINED EARNINGS	\$ 490,829

See accompanying notes to the general purpose financial statements.

**Upper Arlington City School District
 Combined Statement of Cash Flows
 Enterprise Funds
 For the Fiscal Year Ended June 30, 2001**

	ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 51,053
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Depreciation	13,974
Donated commodities	32,079
Increase in receivable	(3,184)
Increase in inventory	(449)
Decrease in accounts payable	(37,810)
Decrease in due to other governments	(39,267)
Increase in due to other funds	4,500
Increase in deferred revenue	5,283
Increase in accrued liabilities	42,561
TOTAL ADJUSTMENTS	17,687
Net cash provided from operating activities	68,740
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(46,725)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating grants	32,071
Operating transfers	43,152
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	75,223
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	320
INCREASE IN CASH AND CASH EQUIVALENTS	97,558
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	506,987
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 604,545

See accompanying notes to the general purpose financial statements.

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UPPER ARLINGTON CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Upper Arlington City School District (the "District") operates under a locally elected five member Board and provides educational services as authorized by its charter or further mandated by state/or federal agencies. The Board controls the District's nine instructional facilities, staffed by 171 classified personnel, 551 certified full-time teaching personnel and administrative employees to provide services to students and other community members.

The District is located in Upper Arlington, Ohio, Franklin County. The enrollment for the District during the 2001 fiscal year was 5356. The District operates one early childhood center (PS), five elementary schools (K-5), two middle school (6-8), and a high school (9-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (the "GASB") and other recognized authoritative sources. The District also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

The reporting entity is composed of the primary government. The primary government 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, preschool and student related activities of the District.

The District reviewed potential component units for possible inclusion in the reporting entity. Component units are legally separate organizations for which the District is financially accountable. The District would be financially accountable for an organization if the District appointed a voting majority of the organization's governing board and (1) the District was able to significantly influence the programs or services performed or provided by the organization; or (2) the District was legally entitled to or can otherwise access the organizations' resources; the District was legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District was 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 identified no component units that meet these criteria.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

A. Financial Reporting Entity (Continued)

The Upper Arlington City School District is a participating member of the Rockbridge Academy (Academy). The Academy is a joint venture consisting of a consortium of five school districts. The Academy was formed for the purpose of providing alternative education services to at risk students. The Academy and the District's participation is discussed in Note 16 to the General Purpose Financial Statements.

B. Basis of Presentation – Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the District are grouped as follows:

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities, except those accounted for in proprietary or fiduciary funds, are accounted for through governmental funds. The governmental fund category includes:

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

Special Revenue Funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

B. Basis of Presentation – Fund Accounting (Continued)

Governmental Funds (Continued)

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs not being financed by proprietary funds.

Capital Projects Funds are used to account for financial resources to be used for the acquisition of fixed assets or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Board of Education had decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

Expendable Trust Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Expendable trust funds are accounted for and reported as governmental funds.

Agency Funds are purely custodial and thus do not involve measurement of results of operations.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

B. Basis of Presentation – Fund Accounting (continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations and certain other liabilities of the District except those accounted for in the proprietary or trust funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and 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. The District considers revenues available if they are collected within sixty days after fiscal year end, or in the case of current property taxes, available for advance to the District at the fiscal year end by the County Auditor.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and property taxes available for advance, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, which are intended to finance fiscal year 2002 operations, and delinquent property taxes, whose availability is indeterminable, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund 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, and 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 employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the non-expendable trust fund. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There was no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budgetary Data

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 object level within each function. Any budgetary modifications at this level must be made by resolution of the Board of Education.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

D. Budgetary Data (Continued)

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year do not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

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, function, and object level of expenditures, which are the legal levels 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 or alter total function appropriations within a fund, or alter object appropriations within functions, 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

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

D. Budgetary Data (Continued)

supplemental appropriations were Legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

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 and reported in the notes to the financial statements for proprietary 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.

E. Cash and Cash Equivalents

Cash received by the District, except for building capital projects funds are pooled for investment purposes in one bank account with individual fund cash balance integrity maintained through the District's financial records. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. During fiscal year 2001, investments were limited to certificates of deposit, obligations of the U.S. Treasury, and other direct issuances of federal agencies, commercial paper, mutual funds, nonparticipating repurchase agreements, and interest in STAR Ohio (the State Treasurer's Investment Pool). 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 deposit are reported at cost. The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2001. 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

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

E. Cash and Cash Equivalents

valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001. Under existing Ohio statutes, all investment earnings accrued are allocated to the General Fund except those specifically related to auxiliary services agency funds, the food service fund, certain trust funds and those funds individually authorized by Board resolution. Interest income earned in 2001 totaled \$1,169,376.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with a maturity of three months or less at the time they are purchased by the District and investments made from the cash management pool are considered to be cash equivalents. Investments with a maturity greater than three months are considered investments of the fund.

In 2001 the District changed its method of reporting the statement of cash flows from the "Direct Method" to the "Indirect Method" of reporting.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) method. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

General Fixed Assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest on construction projects. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of net capitalizing assets with a cost of less than five-hundred dollars and a useful life of less than 2 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

G. Fixed Assets and Depreciation (Continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of 3 to 10 years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The District currently participates in several State and Federal (*) programs, categorized as follows:

Entitlements

- General Fund
- State Foundation Program

Non-Reimbursable Grants

- Special Revenue Funds
 - Venture Capital
 - Career Education
 - Local Professional Development
 - Management Information Systems
 - SchoolNet
 - Alternative School
 - Miscellaneous State Grants
 - Eisenhower (*)
 - Title VI-B (*)
 - Carl Perkins Vocational Education (*)
 - Emergency Immigrant Education Assistance (*)
 - Title VI (*)
 - Drug Free Schools Program (*)
 - Public School Preschool (*)
 - Miscellaneous Federal Grants (*)

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

H. Intergovernmental Revenues (Continued)

Reimbursable Grants

General Fund

School Bus Purchase Reimbursement

Proprietary Funds

National School Lunch Program

Food Commodity Distribution

Grants and entitlements amounted to approximately 18.04 percent of the District's operating revenue during the 2001 fiscal year.

I. Short-Term Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables."

J. Compensated Absences

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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. The remaining portion of such obligations is reported in the general long-term obligations account group.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accounting principles but not available for appropriations under state statute.

M. Set-Aside Calculations and Fund Reserves

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District may also set aside money for budget stabilization. The formula for this calculation changed as a result of Senate Bill 345.

The following information describes any changes in the amounts set-aside for textbooks and instructional materials, capital improvements, and budget stabilization from the end of the prior year to the end of the current year.

A. Textbooks and Instructional Materials

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$1,068,685	
Qualifying expenditures made during the year	(1,423,670)	
Amount of offsets for the year	0	
Total		(354,985)
Balance of set-aside to be carried forward to next year		(\$354,985)

B. Capital Improvements

		\$0
Set-aside balance carried forward from the prior year		
Current year set-aside requirement	\$1,068,685	
Qualifying expenditures made during the year	(220,839)	
Amount of offsets for the year	(1,000,000)	
Total		(152,155)
Balance of set-aside to be carried forward to next year		(\$152,155)

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

M. Set-Aside Calculations and Fund Reserves (Continued)

C. Budget Stabilization		
Set-aside balance carried forward from the prior year		\$831,088
Current year set-aside requirement	\$0	
Senate Bill 345 reduction	(545,635)	
Total		(545,635)
Balance of set-aside to be carried forward to next year		\$285,453

N. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

O. Total columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. New Accounting Pronouncements

For fiscal year 2001, the District implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Reporting for Certain Shared Nonexchange Revenues*. These statements require the recognition of nonexchange transactions in the financial statements unless the transactions are not measurable (reasonably estimable) nor probable of collection. **See Note 19.**

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement represents a significant change in the way state and local governments present basic financial information. This statement is effective for periods beginning after June 15, 2002, and the District has not adopted the provisions of this statement in the accompanying financial statements. Management has not completed the process of evaluating the impact that will result from adopting this statement, and, therefore, is unable to disclose the impact that adopting the statement will have on its financial position and results of operations when such statement is adopted.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis), All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis), All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP Basis).
4. For proprietary funds the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. The District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued):

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$(370,539)	\$205,853	\$(48,793)	\$892,074
Net Adjustment for Revenue Accruals	(1,710,485)	(160,562)	(116,447)	(10,877)
Proceeds from				
Sale of Notes	0	0	875,000	575,000
Capital Leases	(802,915)	0	0	0
Advances In	1,359,512	39,550	0	1,000,000
Transfer In	380,381	0	0	(165,500)
Net Adjustment for Expenditure Accruals	2,530,960	77,104	(1,046,073)	144,615
Advances Out	(1,039,550)	(206,088)	0	(1,157,936)
Transfer Out	0	0	165,500	0
	0	156,562	0	0
Rockbridge Academy				
Adjustment for Encumbrances	(1,088,917)	(395,262)	0	(725,438)
Budget Basis	<u>(\$741,553)</u>	<u>(\$282,843)</u>	<u>(\$170,813)</u>	<u>(\$598,062)</u>

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 4 - FUND DEFICIT

For the fiscal year ending June 30, 2001, the following funds had an individual fund deficits:

	<u>Deficit Fund Balance</u>
Governmental Funds:	
Capital Projects:	
Building Fund	\$371,220
Proprietary Funds:	
Enterprise Funds:	
Food Service Fund	\$83,125

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

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the 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 District Treasury, in depository accounts payable or withdraw able 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 two 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 monies may be invested or deposited in the following securities provided they mature or are redeemable within one year from the date of purchase:

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

1. Bond, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality.
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase.
4. Bonds and other obligations of the State of Ohio.
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Protection of District cash and investments is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits: The District is required to categorize deposits and investments according to GASB Statement No. 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements". At year-end, the carrying amount of the District's deposits was \$3,937,913. The bank balance of the District's deposit was \$5,302,935. Of the bank balance, \$300,000 was covered by federal depository insurance and the remaining amounts were covered by collateral held by the pledging bank's trust department but not in the District's name pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. Ohio Revised Code Section 135.181 Uniform Depository Act authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure payment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institutions name, noncompliance with federal requirements could potentially subject the District to a Successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of Statement No. 3.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the District at 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 which are held by the counterparty'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 counterparty, or by its trust department or agent but not in the District's name.

At June 30, 2001 the Districts investment balances consist of an overnight repurchase agreement in the amount of \$168,000, which is included in Category 2 above, and \$10,251,156 invested in STAR Ohio, which is not required to be categorized.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are:

	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$1,051,667,730	95.05%
Public Utility Personal	23,997,150	2.17%
Tangible Personal Property	30,769,109	2.78%
Total Assessed Value	<u>\$1,106,433,989</u>	<u>100.00%</u>

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Franklin County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 20001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, interest, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The principal item of receivables follows:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Interest</u>	<u>Accounts</u>
General	\$36,624,000	\$0	\$94,381	\$1,071
Special Revenue	0	49,500	2,605	11,689
Debt Service	3,101,600	0	15,674	0
Capital Projects	0	0	0	10,877
Enterprise	0	1,253	0	10,057
Trust & Agency	0	0	0	1,638
Total	\$39,725,600	\$50,753	\$112,660	\$35,332

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Buildings	\$581,221
Furniture and Equipment	118,187
Less accumulated depreciation	(641,172)
Net Fixed Assets	\$58,236

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance June 30, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance June 30, <u>2001</u>
Land	\$244,883	\$0	\$0	\$0	\$244,883
Buildings	62,204,628	0	0	0	62,204,628
Furniture and Equipment	7,641,758	2,665,083	112,533	0	10,194,308
Vehicles	1,124,552	0	0	0	1,124,552
Construction in Progress	0	0	0	0	0
Total	\$71,215,821	\$2,665,083	\$112,533	\$0	\$73,768,371

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 9 - 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 2001, the District contracted with Nationwide Insurance Company for general liability insurance with a \$5,000,000 aggregate limit covering all employees and volunteers of the District.

Property and Fleet Insurance is provided by Nationwide Insurance and property holds a \$1,000 deductible and the bus fleet and maintenance vehicles have a \$250 deductible and a \$2,000,000 limit per occurrence. A \$250,000 employee dishonesty blanket bond is also included for all employees.

The Fidelity Depository Company of Maryland maintains a \$50,000 public official bond for the Treasurer and Business Manager.

Settlements have not exceeded insurance coverage in any of the last ten fiscal years.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Defined Benefit Pension Plans

Certificated District employees are covered by the State Teachers Retirement System of Ohio (STRS). All other District employees are covered by the School Employees Retirement System of Ohio (SERS). STRS and SERS (the Systems) are both cost sharing, defined benefit, multiple-employer public employee retirement systems.

STRS has provided the following information to the District to comply with required disclosure pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (Statement No. 27):

- A. STRS is a cost-sharing, multiple-employer public employee retirement system.
- B. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years if service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

A. Defined Benefit Pension Plans (Continued)

Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

Legislation passed in April 2000 with a July 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased 2.2% from 2.1% per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5% for the 31st year, 2.6% for the 32nd year, 2.7% for the 33rd year, etc; until 100% of the final average salary is reached.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years' credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries. Benefits are established by Chapter 3307, Revised Code.

- C. Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

D. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3% of covered payroll for members and 14% for employers. These were the same contribution rates for 1999 and 2000. Employer contributions for 2001, 2000, and 1999 were

Approximately \$3,990,224, \$3,794,092, and \$3,556,986, respectively, equal to 100% of the required contribution each year.

E. STRS Ohio issues a stand-alone financial report. Copies of STRS 2000 Comprehensive Annual Financial Report, will be available after Jan. 1, 2001, and can be requested in writing to STRS, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

SERS has provided the following information to the District to comply with required disclosures pursuant to GASB Statement No. 27.

A. SERS is a cost-sharing multiple-employer defined benefit pension plan.

B. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. SERS members are eligible for retirement benefits at age 60 with 5 years of service credit, between ages 55 and 60 with at least 25 years of service credit, or at any age with 30 years of service credit. An annual pension will be based upon actual age at retirement, salary (average of best three years) and service credit. At age 65, a member will receive 2.1% of final average salary to 30 years, and 2.5% for each year over 30 years, or a minimum of \$86, for every year of service credit. Members under the age of 65 who retire with less than 30 years of service credit receive reduced benefits.

C. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

D. Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Board. Employer contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were approximately \$1,606,067, \$1,017,371 and \$1,171,296, respectively, equal to 100% of the required contribution for each year.

E. SERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to SERS at: 300 East Broad Street. Columbus, Ohio 43215 or by calling (614) 222-5853.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

- A. STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

STRS has provided the following information (the latest information available) pertaining to other postemployment benefits for health care costs in order to assist the District in complying with GASB Statement No. 12, Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers (Statement No. 12).

- B. The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.
- C. The STRS Retirement Board currently allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, will 4.5% of covered payroll. For the District this amount approximated \$1,282,600 during fiscal year 2001.
- D. For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

SERS has provided the following information (the latest information available) pertaining to other postemployment benefits for health care costs in order to assist the District in complying with GASB Statement No. 12.

- A. The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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 premiums for health care. The portion is based on years of service up to a maximum of 75% of the premium.
- B. After the allocation for basic benefits, the remainder of the employer's 14% contributions is allocated to providing health care benefits. At June 30, 2000, the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

- C. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for healthcare at June 30, 2000 were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million.
- D. The number of participants currently receiving health care benefits is approximately 50,000.
- E. Employer contributions in the amount of \$969,400 and a surcharge in the amount of \$47,595 were used to fund post-employment benefits for the year ended June 30, 2001.

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for various copier equipment. These leases meet the criteria of a capital lease as defined by statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the General Fixed Assets Account Group in the amount of \$4,233,109. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in fiscal year 2001 totaled \$532,100 in the governmental funds.

The future Capital lease liability of \$1,232,936 will be paid as follows:

2002	\$588,075
2003	149,167
2004	161,547
2005	174,951
2006	<u>159,196</u>
Total.	<u>\$1,232,936</u>

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 13 -LONG TERM OBLIGATIONS

Long-term obligations activity of the District for the year ended June 30, 2001, was as follows:

General Obligation Bonds & Notes:	Principal Outstanding <u>6/30/2000</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/2001</u>
1993 School Building Construction & Improvement Bonds	\$2,255,000	\$0	\$420,000	\$1,835,000
1996 School Building Improvement Bonds	40,104,366	0	1,505,000	38,599,366
Energy Conservation Notes	310,000	0	150,000	160,000
Bond Anticipation Notes	0	575,000	0	575,000
Total General Obligation Bonds & Notes	<u>42,669,366</u>	<u>575,000</u>	<u>2,075,000</u>	<u>41,169,366</u>
Compensated Absences	5,998,490	0	1,012,757	4,985,733
Pension Obligations	359,200	365,000	359,200	365,000
Capital Lease	962,121	802,915	532,100	1,232,936
Total General Long-Term Obligations	<u>\$49,989,177</u>	<u>\$1,742,915</u>	<u>\$3,979,057</u>	<u>\$47,753,035</u>

The District's voted legal debt margin was \$58,984,693 with an unvoted debt margin of \$231,434 at June 30, 2001.

General obligation bonds and notes will be paid from the debt service fund. Compensated absences and pension obligations will be paid from the fund from which the person is paid.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 13 -LONG TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 2001, are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	1,460,000	2,037,916	3,497,916
2003	1,980,000	1,990,013	3,970,013
2004	1,510,000	1,893,114	3,403,114
2005	1,475,000	1,823,741	3,298,741
2006	1,170,000	1,754,369	2,924,369
2007	1,275,000	1,689,206	2,964,206
2008	1,375,000	1,625,900	3,000,900
2009	1,480,000	1,556,296	3,036,296
2010	1,585,000	1,480,411	3,065,411
2011	1,705,000	1,397,309	3,102,309
2012	91,226	3,092,606	3,183,832
2013	83,140	3,140,691	3,223,831
2014	1,915,000	1,303,563	3,218,563
2015	2,055,000	1,199,350	3,254,350
2016	2,200,000	1,087,656	3,287,656
2017	2,360,000	967,956	3,327,956
2018	2,525,000	841,303	3,366,303
2019	2,695,000	707,541	3,402,541
2020	2,875,000	564,809	3,439,809
2021	3,065,000	410,681	3,475,681
2022	3,270,000	244,388	3,514,388
2023	3,020,000	79,275	3,099,275
Total	\$41,169,366	\$30,888,094	\$72,057,460

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 14 – SHORT-TERM NOTES PAYABLE

Short-Term Notes Payable activity of the District for the year ended June 30, 2001, was as follows:

	Principal Outstanding <u>6/30/2000</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/2001</u>
2000 Bond Anticipation - Computer Acquisition Note 4.79%	0	\$875,000	575,000	300,000
1999 Bond Anticipation Note 4.05%	1,000,000	0	1,000,000	0
Total	<u>\$1,000,000</u>	<u>\$875,000</u>	<u>\$1,875,000</u>	<u>\$300,000</u>

These short-term bond notes are shown as liabilities of the fund which received the note proceeds. Accordingly, all note debt activity has been reported in the building fund. The Budgetary Basis (Non-GAAP) presentation shows the note activity in the Debt Service Fund.

Subsequent to June 30, 2001 the District issued \$575,000 in Bond Anticipation – Computer Acquisition note to refinance a portion of the \$875,000 note above. As such the \$575,000 has been recorded in the General Long-Term Debt Account Group.

Principal and interest requirements to retire the remaining portion of the short-term notes payable outstanding at June 30, 2001, are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$300,000	\$14,370	\$314,370

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

Interfund Receivable/Payable:

Fund:	<u>Receivable</u>	<u>Payable</u>
General	\$1,039,550	\$0
Special Revenue Funds:		
UAEF Fund	0	4,500
Career Education Fund	0	15,550
Miscellaneous Federal Grants Fund	0	15,000
Capital Projects Funds:		
Capital Projects	0	1,000,000
Enterprise Funds:		
Food Service Fund	0	4,500
Total	<u>\$1,039,550</u>	<u>\$1,039,550</u>

NOTE 16 - JOINT VENTURE

The Rockbridge Academy (Academy) is a joint venture consisting of a consortium of five school districts. The joint venture was formed for the purpose of providing alternative education services to at risk students. The initial capital of the Academy was raised through the receipt of a State Grant in the amount of \$375,000.

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the joint venture, however the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations.

The Academy is dependent upon continued support of the member schools as it is not independently accumulating adequate financial resources.

The District is the financial agent for the Academy, as such; cash in the amount of \$156,562 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.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 17- ENTERPRISE FUND INFORMATION

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies and latchkey. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the Upper Arlington City School District as of and for the fiscal year ended June 30, 2001

<u>Segment Information</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Summer Academy</u>	<u>School Age Child Care</u>	<u>Burbank Early Childhood</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$974,137	\$97,926	\$120,085	\$539,368	\$1,141,882	\$2,873,398
Operating Expenses Before Depreciation	1,111,522	65,451	114,163	531,414	985,821	2,808,371
Depreciation	0	0	0	6,898	7,076	13,974
Operating Income/(Loss)	(137,385)	32,475	5,922	1,056	148,985	51,053
Equipment Additions	0	0	0	13,923	32,802	46,725
Equipment Deletions	0	0	0	0	0	0
Donated Commodities	32,079	0	0	0	0	32,079
Operating Grants	33,324	0	0	0	0	33,324
Net Income (Loss)	(46,673)	32,475	(2,866)	9,845	167,147	159,928
Net Working Capital	(46,125)	55,062	47,863	162,691	315,664	535,155
Total Assets	36,688	55,062	53,351	194,815	359,247	699,163
Total Equity	(83,125)	55,062	47,863	161,119	309,910	490,829
Encumbrances at June 30, 2001	\$54	\$31,237	\$16	\$3,765	\$10,255	\$45,327

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 18- CONTINGENCIES

Grants:

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

Litigation:

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 5, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Upper Arlington City School District, Ohio
Notes to the General Purpose Financial Statements (continued)

NOTE 19- BEGINNING FUND BALANCE RESTATEMENT

In fiscal 2001, the District implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Reporting for Certain Shared Nonexchange Revenues. These statements requires the recognition of nonexchange transactions in the financial statements unless the transactions are not measurable (reasonably estimable) nor probable of collection. Additionally, the District changed its method for the recognition of property taxes to record as revenue only those monies available for advance at fiscal year end. As a result, the District has restated beginning fund balances in the General, Special Revenue, and Debt Service Funds. The District also changed its accounting for the Rockbridge Academy to more appropriately record this activity as an agency fund from a Special Revenue Fund. This change had no impact on fund balance. See note 16.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Fund balance at beginning of the year	\$17,236,863	499,293	3,051,621
Restatement for GASBs 33 & 36:			
Grant revenue recognition	0	166,031	0
Property tax revenue recognition	(11,121,000)	0	(1,159,000)
Fund balance at beginning of the year, as restated	\$6,115,863	665,324	1,892,621

NOTE 20- SUBSEQUENT EVENT

On November 28, 2001 the District issued \$575,000 in Computer Acquisition Notes to refinance a portion of the \$875,000 notes outstanding at June 30, 2001. The new notes are Bond anticipation notes which are accounted for in the General Long-Term Obligations Account Group at June 30, 2001. See notes 13 and 14.

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution		10.550	-	\$32,078	-	\$26,675
National School Lunch Program	LL-P1 2000	10.555	2,200	-	2,200	-
	LL-P4 2000		9,606	-	9,606	-
	LL-P1 2001		4,163	-	4,163	-
	LL-P4 2001		15,755	-	15,755	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>31,724</u>	<u>32,078</u>	<u>31,724</u>	<u>26,675</u>
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training Pilots_Demonstrations and Research	WK-BE 2000	17.249	59,087	-	47,478	-
NATIONAL SCIENCE FOUNDATION						
Mathematical and Physical Sciences		47.049	7,500	-	750	-
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education_Grants to States	6B-SF 1999	84.027	44,565	-	50,409	-
	6B-SF 2000		259,027	-	255,394	-
Special Education_Preschool Grant	PG-S1 2000	84.173	17,412	-	17,412	-
	PG-S1 2000					
Total - Special Education Cluster			<u>321,004</u>	<u>-</u>	<u>323,215</u>	<u>-</u>
Vocational Education_Basic Grants to States		84.048	28,564		17,947	
Immigrant Education	E1-S1 1999	84.162	0	-	39	-
	E1-S1 2000		0	-	4,095	-
	E1-S1 2001		4,000	-	545	-
Safe and Drug-Free Schools and Communities_State Grants	DR-S1 2000	84.186	6,088	-	6,088	-
	DR-S1 2001		25,584	-	21,602	-
Fund for the Improvement of Education	PI-S1 2001	84.215	26,938	-	25,769	-
Goals 2000_State and Local Education Systemic Improvement	G2-SV 2001	84.276	15,000	-	70,489	-
Eisenhower Professional Development State Grants	MS-S1 1999	84.281	0	-	383	-
	MS-S1 2000		0	-	4,920	-
	MS-S1 2001		13,633	-	5,933	-
Innovative Educational Program Strategies	C2-S1 1999	84.298	0	-	2,799	-
	C2-S1 2001		17,179	-	8,423	-
Class Size Reduction	CR-S1 2000	84.340	9,850	-	-	-
	CR-S1 2001		10,687	-	-	-
Total U.S. Department of Education			<u>478,527</u>	<u>-</u>	<u>492,247</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program		93.778	9,062	-	9,062	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed through Ohio Department of Education</i>						
Learn and Serve America_School and Community Based	SV-A2-2000	94.004	34,318	-	34,318	-
Total Federal Awards Receipts and Expenditures			<u><u>\$620,218</u></u>	<u><u>\$32,078</u></u>	<u><u>\$615,579</u></u>	<u><u>\$26,675</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**UPPER ARLINGTON SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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

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

We have audited the general purpose financial statements of the Upper Arlington City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 3, 2001, wherein we noted the District adopted *Governmental Accounting Standards Board Statements 33 and 36*, made certain corrections to restate fund balance as of July 1, 2000 and wherein we noted we were unable to obtain evidence to support amounts recorded as property, plant and equipment. Except as regards property plant and equipment, 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 3, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10625-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weakness. We also 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 3, 2001.

This report is intended for the information and use of 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.

JIM PETRO
Auditor of State

December 3, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF FEDERAL
AWARDS RECEIPTS AND EXPENDITURES**

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

Compliance

We have audited the compliance of the Upper Arlington City School District, Franklin County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. 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 its 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, 2001.

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.

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 a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 3, 2001.

This report is intended for the information and use of 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.

JIM PETRO
Auditor of State

December 3, 2001

**UPPER ARLINGTON SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

UPPER ARLINGTON SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)

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

FINDING NUMBER 2001-10625-001

Material Weakness - Fixed Assets

The District should maintain a current listing of all fixed assets. This list should be maintained by the Treasurer and be updated yearly for any additions and disposals. A good asset tracking or management system allows the District to properly report the value of its fixed assets in its financial statements including accounting for and reporting depreciation of its Proprietary Fund assets. It also helps in reflecting dollar value of assets for insurance coverage, proof of loss, and replacement of assets.

The District's fixed asset listing is on the School Asset and Accounting System and Equipment Inventory System maintained by the District's computer consortium (Metropolitan Educational Council). The District's fixed asset listing for its general fixed assets was not reconciled in total with the amount reflected on the financial statements. The District's fixed asset listing has general fixed assets total of approximately \$35.2 million and the financial statements report an amount of approximately \$73 million. This deficiency could result in inaccurate financial reporting of the District's fixed assets and hinder the prevention of loss or misappropriation of assets.

We recommend the District perform a physical inventory of all fixed assets held by the District . The School Asset and Accounting System and Equipment Inventory System should be updated to reflect the assets held. We also recommend the District review and revise its fixed assets accounting policies that address the procedures to be followed in acquiring fixed assets, disposal of assets, tracking of assets within the District, valuation of assets and annual physical inventory procedures.

The District plans on contracting with an appraisal firm to inventory and value fixed assets as of June 30, 2002. The School Asset and Accounting System and Equipment Inventory System will be updated to reflect the appraisers inventory and valuation of fixed assets.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status of Findings</u>
00-1	Ohio Rev. Code Section 5705.412, failure to complete and attach the proper certifications for qualifying contracts	Corrected
00-2	OMB Circular A-87, failure to obtain proper semi-annual certifications	Finding does not warrant further action because it does not materially effect the financial position of the District and its federal programs.



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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
JANUARY 3, 2002**