



**Auditor of State
Betty Montgomery**

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Upper Arlington City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2002, 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.

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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2003 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.

The accompanying federal awards receipts and expenditures schedule 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. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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BETTY MONTGOMERY
Auditor of State

February 10, 2003

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**Upper Arlington City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	<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	\$ 12,932,771	\$ 1,296,597	\$ 1,832,223	\$ 1,116,534
Restricted cash and investments	285,453	-	-	-
Receivable:				
Taxes	48,242,000	-	3,158,000	-
Intergovernmental	-	-	-	-
Accrued interest	33,621	528	4,598	2,802
Accounts	21,972	2,909	-	-
Interfund Loan Receivable	1,036,639	-	-	-
Inventory	21,478	45,839	-	-
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	<u>\$ 62,573,934</u>	<u>1,345,873</u>	<u>4,994,821</u>	<u>1,119,336</u>
LIABILITIES				
Accounts payable	\$ 753,995	98,089	-	152,572
Accrued wages and benefits	4,361,818	93,031	-	-
Compensated absences payable	624,363	-	-	-
Due to other:				
Governments	815,800	12,399	-	-
Other	-	-	-	-
Interfund Loan Payable	-	16,639	-	1,000,000
Deferred revenue	48,232,000	-	3,157,200	-
Capital lease payable	-	-	-	-
General obligations bonds and notes payable	-	-	-	575,000
TOTAL LIABILITIES	<u>54,787,976</u>	<u>220,158</u>	<u>3,157,200</u>	<u>1,727,572</u>
FUND EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balance:				
Reserved for future years appropriations	6,298,450	-	492,350	-
Reserved for encumbrances	990,424	68,996	-	461,020
Reserved for inventory	21,478	43,839	-	-
Reserved for budgetary stabilization	285,453	-	-	-
Unreserved	190,153	1,012,880	1,345,271	(1,069,256)
TOTAL FUND EQUITY AND OTHER CREDITS	<u>7,785,958</u>	<u>1,125,715</u>	<u>1,837,621</u>	<u>(608,236)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 62,573,934</u>	<u>\$ 1,345,873</u>	<u>\$ 4,994,821</u>	<u>\$ 1,119,336</u>

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals Memorandum Only</u>
		<u>General Fixed Assets</u>	<u>General Long Term Obligation</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$ 613,721	\$ 344,825	\$ -	\$ -	\$ 18,136,671
-	-	-	-	285,453
-	-	-	-	51,400,000
4,094	-	-	-	4,094
-	-	-	-	41,549
1,556	771	-	-	27,208
-	-	-	-	1,036,639
31,480	-	-	-	98,797
41,783	-	87,412,757	-	87,454,540
-	-	-	1,837,621	1,837,621
-	-	-	44,833,606	44,833,606
692,634	345,596	87,412,757	46,671,227	205,156,178
31,932	159,772	-	-	1,196,360
42,588	-	-	-	4,497,437
118,890	-	-	6,527,000	7,270,253
-	-	-	365,000	1,193,199
-	185,824	-	-	185,824
20,000	-	-	-	1,036,639
13,575	-	-	-	51,402,775
-	-	-	644,861	644,861
-	-	-	39,134,366	39,709,366
226,985	345,596	-	46,671,227	107,136,714
-	-	87,412,757	-	87,412,757
465,649	-	-	-	465,649
-	-	-	-	6,790,800
-	-	-	-	1,520,440
-	-	-	-	65,317
-	-	-	-	285,453
-	-	-	-	1,479,048
465,649	-	87,412,757	-	98,019,464
\$ 692,634	\$ 345,596	\$ 87,412,757	\$ 46,671,227	\$ 205,156,178

Upper Arlington City School District
Combined Statement of Revenues, Expenditures and Change in Fund Balance
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
REVENUES			
Taxes	\$ 43,455,917	\$ -	\$ 3,369,933
Intergovernmental			
Federal Restricted Grants - in - Aid	9,290	883,027	-
State:			
Unrestricted Grants - in - Aid	9,609,807	-	-
Restricted Grants - in - Aid	22,266	1,069,303	445,842
Investment Income	518,037	7,420	37,170
Co-Curricular Activities	100,220	1,058,944	-
Tuition and Fees	64,032	15,113	-
Other	584,533	158,734	-
Total Revenues	54,364,102	3,192,541	3,852,945
EXPENDITURES			
Current:			
Instruction Services:			
Regular	26,583,736	136,594	-
Special	4,098,644	228,380	-
Vocational	482,843	1,600	-
Total Instructional Services	31,165,223	366,574	-
Support Services:			
Operation and maintenance of plant	3,938,182	5,726	-
School administration	2,986,329	130,285	-
Instructional staff	4,674,726	299,473	-
Pupils	3,135,525	81,116	-
Business operations	1,124,743	366	23,996
Student transportation	1,078,486	39,121	-
Central services	1,573,486	274,611	-
General administration	37,680	-	-
Total Support Services	18,549,157	830,698	23,996
Extracurricular activities	809,846	1,148,257	-
Community services	-	863,492	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	588,075	-	2,035,000
Interest and fiscal charges	92,167	-	2,050,707
Total Expenditures	51,204,468	3,209,021	4,109,703
Excess (deficiency) of revenues over expenditures	3,159,634	(16,480)	(256,758)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	115,000	575,000
Transfers out	(1,143,000)	-	(324,449)
Total Other Financing Sources (Uses)	(1,143,000)	115,000	250,551
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,016,634	98,520	(6,207)
Fund balances at beginning of year, as restated, see note 19	5,769,324	1,027,195	1,843,828
Fund balances at end of year	\$ 7,785,958	\$ 1,125,715	\$ 1,837,621

See accompanying notes to the general purpose financial statements

<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 46,825,850
-	-
-	892,317
-	9,609,807
1,421	1,538,832
10,001	572,628
-	1,159,164
-	79,145
22,850	766,117
34,272	61,443,860
21,758	26,742,088
-	4,327,024
-	484,443
21,758	31,553,555
173,354	4,117,262
-	3,116,614
-	4,974,199
-	3,216,641
74,585	1,223,690
-	1,117,607
39,365	1,887,462
-	37,680
287,304	19,691,155
-	1,958,103
-	863,492
687,226	687,226
-	2,623,075
24,449	2,167,323
1,020,737	59,543,929
(986,465)	1,899,931
1,324,449	2,014,449
(575,000)	(2,042,449)
749,449	(28,000)
(237,016)	1,871,931
(371,220)	8,269,127
\$ (608,236)	\$ 10,141,058

**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, 2002**

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 46,619,458	\$ 46,758,197	\$ 138,739
Intergovernmental	9,086,012	9,641,363	555,351
Investment income	1,060,869	578,797	(482,072)
Tuition fees	72,000	63,256	(8,744)
Extracurricular Activities	120,000	100,220	(19,780)
Gifts and Donations	-	-	-
Miscellaneous	620,000	459,738	(160,262)
TOTAL REVENUES	57,578,339	57,601,571	23,232
EXPENDITURES:			
Instructional services:			
Regular	27,394,275	27,326,807	67,468
Special	4,130,317	4,131,638	(1,321)
Vocational	275,594	316,557	(40,963)
Other	-	-	-
TOTAL INSTRUCTIONAL SERVICES	31,800,186	31,775,002	25,184
Support services:			
Pupils	3,261,456	3,286,909	(25,453)
Instructional staff	4,796,325	4,748,168	48,157
Board of Education	41,958	42,068	(110)
School administration	3,237,110	3,296,029	(58,919)
Fiscal services	1,189,961	1,222,794	(32,833)
Business operations	435,288	482,192	(46,904)
Operation and maintenance of plant	5,287,146	5,287,357	(211)
Student transportation	1,190,840	1,198,650	(7,810)
Central services	1,920,279	1,920,279	-
TOTAL SUPPORT SERVICES	21,360,363	21,484,446	(124,083)
Facilities acquisition and construction services	-	-	-
Extracurricular Activities	977,885	980,016	(2,131)
Community services	-	-	-
Repayment of debt	-	-	-
TOTAL EXPENDITURES	54,138,434	54,239,464	(101,030)
Excess (deficiency) of revenues over expenditures	3,439,905	3,362,107	(77,798)
OTHER FINANCING SOURCES (USES):			
Other	5,000	2,487	(2,513)
Transfers in	-	335	335
Transfers out	(1,143,000)	(1,143,000)	-
Advances in	1,300,000	1,039,550	(260,450)
Advances out	(1,055,000)	(1,036,639)	18,361
Refund of prior year expenditures (receipts)	73,160	101,848	28,688
Pass through payments	(22,046)	-	22,046
Proceeds from sale of notes	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(841,886)	(1,035,419)	(193,533)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,598,019	2,326,688	(271,331)
Prior year encumbrances appropriated	1,088,917	1,088,917	-
FUND BALANCES AT BEGINNING OF YEAR (RESTATED)	8,262,828	8,262,828	-
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 11,949,764	\$ 11,678,433	\$ (271,331)

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)
\$ -	\$ -	\$ -	\$ 3,444,083	\$ 3,651,454	\$ 207,371
2,320,126	2,001,830	(318,296)	400,000	445,842	45,842
5,487	6,439	952	75,000	48,246	(26,754)
16,000	16,095	95	-	-	-
879,000	1,066,068	187,068	-	-	-
-	-	-	-	-	-
389,950	141,916	(248,034)	-	-	-
3,610,563	3,232,348	(378,215)	3,919,083	4,145,542	226,459
297,445	165,318	132,127	-	-	-
266,022	223,126	42,896	-	-	-
1,798	1,798	-	-	-	-
2,000	600	1,400	-	-	-
567,265	390,842	176,423	-	-	-
123,690	86,116	37,574	-	-	-
360,841	304,470	56,371	-	-	-
-	-	-	-	-	-
134,612	98,417	36,195	-	-	-
-	-	-	55,000	40,528	14,472
-	-	-	-	-	-
5,933	5,726	207	-	-	-
40,857	40,772	85	-	-	-
290,541	279,578	10,963	-	-	-
956,474	815,079	141,395	55,000	40,528	14,472
-	-	-	-	-	-
1,613,897	1,208,047	405,850	-	-	-
1,113,077	930,254	182,823	-	-	-
-	-	-	4,497,980	4,410,156	87,824
4,250,713	3,344,222	906,491	4,552,980	4,450,684	102,296
(640,150)	(111,874)	528,276	(633,897)	(305,142)	328,755
-	-	-	-	-	-
148,000	118,000	(30,000)	-	-	-
(3,335)	(3,335)	-	-	-	-
-	21,331	21,331	-	-	-
(38,724)	(35,750)	2,974	-	-	-
(41,468)	(39,180)	2,288	-	-	-
(74,626)	(72,162)	2,464	-	-	-
-	-	-	575,000	575,000	-
(10,153)	(11,096)	(943)	575,000	575,000	-
(650,303)	(122,970)	527,333	(58,897)	269,858	328,755
235,326	235,326	-	-	-	-
997,038	997,038	-	1,562,366	1,562,366	-
\$ 582,061	\$ 1,109,394	\$ 527,333	\$ 1,503,469	\$ 1,832,224	\$ 328,755

**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	1,421	1,421	-
Investment income	20,119	18,076	(2,043)
Tuition fees	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Miscellaneous	20,000	17,500	(2,500)
TOTAL REVENUES	41,540	36,997	(4,543)
EXPENDITURES:			
Instructional services:			
Regular	19,239	34,718	(15,479)
Special	-	-	-
Vocational	2,418	-	2,418
Continuing	-	-	-
TOTAL INSTRUCTIONAL SERVICES	21,657	34,718	(13,061)
Support services:			
Pupils	-	-	-
Instructional staff	-	-	-
Board of Education	-	-	-
School administration	-	-	-
Fiscal services	-	-	-
Business operations	95,750	116,727	(20,977)
Operation and maintenance of plant	173,354	173,354	-
Student transportation	98,173	98,173	-
Central services	48,000	39,365	8,635
TOTAL SUPPORT SERVICES	415,277	427,619	(12,342)
Facilities acquisition and construction services	1,570,889	1,196,922	373,967
Extracurricular Activities	-	-	-
Community services	-	-	-
Repayment of debt	-	-	-
TOTAL EXPENDITURES	2,007,823	1,659,259	348,564
Excess (deficiency) of revenues over expenditures	(1,966,283)	(1,622,262)	344,021
OTHER FINANCING SOURCES (USES):			
Other	-	-	-
Transfers in	1,000,000	1,000,000	-
Transfers out	-	-	-
Advances in	1,000,000	1,000,000	-
Advances out	(1,000,000)	(1,000,000)	-
Refund of prior year expenditures (receipts)	-	5,350	5,350
Pass through payments	-	-	-
Proceeds from sale of notes	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,000,000	1,005,350	5,350
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(966,283)	(616,912)	349,371
Prior year encumbrances appropriated	725,438	725,438	-
FUND BALANCES AT BEGINNING OF YEAR	452,272	452,272	-
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 211,427	\$ 560,798	\$ 349,371

See accompanying notes to the general purpose financial statements.

UPPER ARLINGTON CITY SCHOOL DISTRICT

(TOTALS MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 50,063,541	\$ 50,409,651	\$ 346,110
11,807,559	12,090,456	282,897
1,161,475	651,558	(509,917)
88,000	79,351	(8,649)
999,000	1,166,288	167,288
-	-	-
1,029,950	619,154	(410,796)
65,149,525	65,016,458	(133,067)
27,710,959	27,526,843	184,116
4,396,339	4,354,764	41,575
279,810	318,355	(38,545)
2,000	600	1,400
32,389,108	32,200,562	188,546
3,385,146	3,373,025	12,121
5,157,166	5,052,638	104,528
41,958	42,068	(110)
3,371,722	3,394,446	(22,724)
1,244,961	1,263,322	(18,361)
531,038	598,919	(67,881)
5,466,433	5,466,437	(4)
1,329,870	1,337,595	(7,725)
2,258,820	2,239,222	19,598
22,787,114	22,767,672	19,442
1,570,889	1,196,922	373,967
2,591,782	2,188,063	403,719
1,113,077	930,254	182,823
4,497,980	4,410,156	87,824
64,949,950	63,693,629	1,256,321
199,575	1,322,829	1,123,254
5,000	2,487	(2,513)
1,148,000	1,118,335	(29,665)
(1,146,335)	(1,146,335)	-
2,300,000	2,060,881	(239,119)
(2,093,724)	(2,072,389)	21,335
31,692	68,018	36,326
(96,672)	(72,162)	24,510
575,000	575,000	-
722,961	533,835	(189,126)
922,536	1,856,664	934,128
2,049,681	2,049,681	-
11,274,504	11,274,504	-
\$ 14,246,721	\$ 15,180,849	\$ 934,128

**Upper Arlington City School District
Statement of Revenues, Expenses and Changes
in Retained Earnings -- Enterprise Funds
For the Fiscal Year Ended June 30, 2002**

	Enterprise
OPERATING REVENUES	
Food Service Sales	\$ 948,256
Charges for Service	1,866,562
Miscellaneous	1,262
TOTAL OPERATING REVENUES	2,816,080
OPERATING EXPENSES	
Personal services	1,494,545
Employee benefits	458,584
Purchased services	138,084
Materials and supplies	809,611
Depreciation	16,453
Other	47,434
TOTAL OPERATING EXPENSES	2,964,711
OPERATING LOSS	(148,631)
NON- OPERATING REVENUES	
Interest	49
Donated commodities	55,536
Operating grants	39,866
TOTAL NON- OPERATING REVENUES	95,451
LOSS BEFORE OPERATING TRANSFER	(53,180)
Operating transfer-in	28,000
NET LOSS	(25,180)
BEGINNING RETAINED EARNINGS	490,829
ENDING RETAINED EARNINGS	\$ 465,649

See accompanying notes to the general purpose financial statements.

**Upper Arlington City School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2002**

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (148,631)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation	16,453
Donated commodities	55,536
Decrease in receivable	8,501
Increase in inventory	(6,408)
Increase in accounts payable	(7,939)
Decrease in due to other governments	(5,651)
Increase in due to other funds	15,500
Increase in deferred revenue	1,358
Increase in accrued liabilities	16,328
Decrease in accrued wages and benefits	(945)
TOTAL ADJUSTMENTS	92,733
NET CASH USED IN OPERATING ACTIVITIES	(55,898)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating grants	37,025
Operating transfers	28,000
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	65,025
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	49
INCREASE IN CASH AND CASH AND INVESTMENTS	9,176
CASH AND INVESTMENTS AT BEGINNING OF YEAR	604,545
CASH AND INVESTMENTS AT END OF YEAR	\$ 613,721

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, 2002

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 217 classified personnel, 502 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 2002 fiscal year was 5,485. 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. This 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 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.

The Districts only Fiduciary funds are Agency 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 funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases (i.e., revenues and other financing sources and expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Agency Funds. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay the liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year end.

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

C. Measurement Focus and Basis of Accounting (Continued)

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

Revenue accrued at the end of the year includes interest, tuition, grants and entitlements, taxes, and accounts. Property taxes are recognized as revenue in the fiscal year for which taxes have been levied provided they are collected by the county auditor by fiscal year-end. Property tax revenue that is recognized for GAAP purposes but is intended for future year's appropriations appears as a reservation of fund balance.

The District reports deferred revenue on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions:(i) principal and interest on long-term obligations which are reported only when due; (ii) the noncurrent portion of accumulated unpaid vacation and sick leave which is reported in the general long-term obligation account group; and (iii) the portion of pension obligations payable which will not utilize available revenues is also recorded in the general long-term obligation account group.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

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.

At June 30, 2002, the Districts expenditures exceeded appropriations as follows:

General Fund

Instructional services:	
Special	\$ (1,321)
Vocational	(40,963)
Support services:	
Pupils	(25,453)
Board of Education	(110)
School administration	(58,919)
Fiscal services	(32,833)
Business operations	(46,904)
Operation and maintenance of plant	(211)
Student transportation	(7,810)
Extracurricular Activities	(2,131)

Capital Project Fund

Instructional services:	
Regular	(15,479)
Support services:	
Business operations	(20,977)

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 2002.

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 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.

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

D. Budgetary Data (Continued)

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 is 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 2002, 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 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 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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, and those funds individually authorized by Board resolution. Interest income earned in 2002 totaled \$572,677.

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

E. Cash and Cash Equivalents (Continued)

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.

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 not capitalizing assets with a cost of less than five-hundred dollars and a useful life of less than 2 years. The District does not capitalize infrastructure.

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.

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.

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

H. Intergovernmental Revenues

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 (*)

Reimbursable Grants

- General Fund
 - School Bus Purchase Reimbursement

Proprietary Funds

- National School Lunch Program
- Food Commodity Distribution

Grants and entitlements amounted to approximately 19.6 percent of the District's operating revenue during the 2002 fiscal year.

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

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.

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, inventory, 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.

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

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		(\$354,985)
Current year set-aside requirement	\$774,254	
Qualifying expenditures made during the year	(1,555,840)	
Amount of offsets for the year	<u>0</u>	
Total		<u>(781,586)</u>
Balance of set-aside to be carried forward to next year		<u><u>(\$1,136,571)</u></u>

B. Capital Improvements

Set-aside balance carried forward from the prior year		(\$152,155)
Offset of negative balance not permitted for carryover		152,155
Current year set-aside requirement	\$774,254	
Qualifying expenditures made during the year	(239,549)	
Amount of offsets for the year	<u>(1,000,000)</u>	
Total		<u>(465,295)</u>
Balance of set-aside to be carried forward to next year		<u><u>(\$465,295)</u></u>

C. Budget Stabilization

Set-aside balance carried forward from the prior year		\$285,453
Current year set-aside requirement	\$0	
Total	<u>0</u>	<u>0</u>
Balance of set-aside to be carried forward to next year		<u><u>\$285,453</u></u>

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

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

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, All Governmental Fund Types, Budget Basis, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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. 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).
5. 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	\$2,016,634	\$98,520	\$(6,207)	(\$237,016)
Net Adjustment for Revenue Accruals	3,341,804	39,807	292,597	8,075
Proceeds from Sale of Notes	0	0	575,000	0
Advances In	1,039,550	21,331	0	1,000,000
Transfer In	335	3,000	(575,000)	(324,449)
Net Adjustment for Expenditure Accruals	(1,575,058)	(81,231)	(340,981)	(82,786)
Advances Out	(1,036,639)	(35,750)	0	(1,000,000)
Transfers Out	0	(3,335)	324,449	575,000
Encumbrances	(1,459,938)	(165,312)	0	(555,736)
Budget Basis	<u>\$2,326,688</u>	<u>(\$122,970)</u>	<u>\$269,858</u>	<u>(\$616,912)</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, 2002, the following funds had individual fund deficits:

	<u>Deficit Fund Balance</u>
Governmental Funds:	
Capital Projects:	
Building Fund	\$1,102,242
Proprietary Funds:	
Enterprise Funds:	
Food Service Fund	\$68,936

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.
2. 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.
3. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality.
4. 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.
5. Bonds and other obligations of the State of Ohio.
6. 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.
7. The State Treasurer's investment pool (STAR Ohio).
8. 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 105 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 \$7,259,859. The bank balance of the District's deposit was \$8,317,554. Of the bank balance, \$356,306 was covered by federal depository insurance, \$2,000,000 was insured by an Ohio depository bond, 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 105% 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.

Additionally, the District had \$10,261 of cash on hand.

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, 2002, the Districts investment balances were categorized as follows:

Investments:	Category			Carrying Amount/ Fair Value
	1	2	3	
US Treasuries		\$3,934,276		3,934,276
Repurchase Agreement		<u>546,780</u>		<u>546,780</u>
Subtotal		4,481,056		4,481,056
STAR OHIO				<u>6,670,948</u>
Total Investments				<u>\$11,152,004</u>

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

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.

The assessed values upon which the fiscal year 2002 taxes were collected areas follows:

	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$1,062,335,360	94.52%
Public Utility Personal	19,268,170	3.76%
Tangible Personal Property	43,301,675	1.72%
Total Assessed Value	\$1,123,905,205	100.00%

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

NOTE 6 - PROPERTY TAXES – (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. 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.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, 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	\$48,242,000	\$0	\$33,621	\$21,972
Special Revenue	0	0	528	2,909
Debt Service	3,158,000	0	4,598	0
Capital Projects	0	0	2,802	0
Enterprise	0	4,094	0	1,556
Agency	0	0	0	771
Total	\$51,400,000	\$4,094	\$41,549	\$27,208

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

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Buildings	\$581,221
Furniture and Equipment	118,187
Less accumulated depreciation	<u>(657,625)</u>
Net Fixed Assets	<u><u>\$41,783</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance June 30, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance June 30, <u>2002</u>
Land	\$244,883	\$0	\$0	\$0	\$244,883
Buildings	66,517,388	509,931	0	0	67,027,319
Furniture and Equipment	18,168,280	674,426	0	0	18,842,706
Vehicles	1,124,552	173,297	0	0	1,297,849
Total	<u>\$86,055,103</u>	<u>\$1,357,654</u>	<u>\$0</u>	<u>\$0</u>	<u>\$87,412,757</u>

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 2002, the District contracted with an independent insurance provider 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 an independent insurance provider 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 three 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.

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 of 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 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.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS – Continued)

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.
- D. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002, were 9.3% of covered payroll for members and 14% for employers. Of the employer contribution, 9.5% was the portion used to fund pension obligations. These were the same contribution rates for 2000 and 2001. Employer contributions for 2002, 2001, and 2000 were approximately \$4,258,600, \$3,990,200, and \$3,794,000, respectively, equal to 100% of the required contribution each year.

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

E. STRS Ohio issues a stand-alone financial report. Copies of STRS 2001 Comprehensive Annual Financial Report, will be available after Jan. 1, 2002, 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; 5.46% was the portion to fund pension obligations. 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, 2002, 2001, and 2000 were approximately \$1,062,800, \$1,606,000, and \$1,017,400, 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.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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).

- 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.

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS – Continued

- 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. Health care benefits are financed on a pay-as-you-go basis. 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 \$3.256 billion at June 30, 2001. The Health Care Reserve Fund allocation for the year ended June 30, 2002, will be 4.5% of covered payroll. For the District, this amount approximated \$1,282,600 during fiscal year 2002.
- D. For the year ended June 30, 2001, the net health care costs paid by STRS was approximately \$300,772,000. There were 102,132 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, 2001, the allocation rate was 8.54%. 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 2001, 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.
- 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, 2001 were \$161.4 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million.
- D. The number of participants currently receiving health care benefits is approximately 50,000.
- E. Employer contributions in the amount of \$856,500 and a surcharge in the amount of \$59,800 were used to fund post-employment benefits for the year ended June 30, 2002.

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

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 2002 totaled \$588,075 in the governmental funds.

The future Capital lease liability of \$644,861 will be paid as follows:

2003	149,167
2004	161,547
2005	174,951
2006	<u>159,196</u>
Total	<u>\$644,861</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, 2002, was as follows:

General Obligation Bonds & Notes:	Principal Outstanding <u>6/30/2001</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/2002</u>
1993 School Building Construction & Improvement Bonds (Interest @ 5.4%, maturing 12/01/04)	\$1,835,000	\$0	\$450,000	\$1,385,000
1996 School Building Improvement Bonds Interest @ 5.9618%, maturing 06/01/23)	38,599,366	0	850,000	37,749,366
Energy Conservation Notes	160,000	0	160,000	0
Bond Anticipation Notes	575,000	0	575,000	0
Total General Obligation Bonds & Notes	41,169,366	0	2,035,000	39,134,366
Compensated Absences	4,985,733	1,541,267	0	6,527,000
Pension Obligations	365,000	365,000	365,000	365,000
Capital Lease	1,232,936	0	588,075	644,861
Total General Long-Term Obligations	<u>\$47,753,035</u>	<u>\$1,906,267</u>	<u>\$2,988,075</u>	<u>\$46,671,227</u>

The District's voted legal debt margin was \$63,140,675 with an unvoted debt margin of \$1,123,905 at June 30, 2002.

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, 2002, are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	1,405,000	1,962,168	3,367,168
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	\$39,134,366	\$28,822,333	\$67,956,699

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, 2002, was as follows:

	<u>Principal Outstanding 6/30/2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2002</u>
2000 Bond Anticipation - Computer Acquisition Note 2.95%	300,000	\$575,000	300,000	575,000
Total	<u>\$300,000</u>	<u>\$575,000</u>	<u>\$300,000</u>	<u>\$575,000</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.

Principal and interest requirements to retire the remaining portion of the short-term notes payable outstanding at June 30, 2002, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$575,000	\$16,962	\$591,962

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

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables:

Interfund Receivable/Payable:

Fund:	<u>Receivable</u>	<u>Payable</u>
General	\$1,036,639	\$0
Special Revenue Funds:		
UAEF Fund	0	3160
Title VI	0	11,967
Eisenhower Fund	0	1,512
Capital Projects Funds:		
Capital Projects	0	1,000,000
Enterprise Funds:		
Food Service Fund	0	20,000
Total	<u>\$1,036,639</u>	<u>\$1,036,639</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 \$177,281 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, 2002

<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	\$948,256	\$105,290	\$76,981	\$580,190	\$1,105,363	\$2,816,080
Operating Expenses Before Depreciation	1,054,518	120,285	76,838	499,126	1,197,491	2,948,258
Depreciation	0	0	0	8,974	7,479	16,453
Operating Income/(Loss)	<u>(106,262)</u>	<u>(14,995)</u>	<u>143</u>	<u>72,090</u>	<u>(99,607)</u>	<u>(148,631)</u>
Equipment Additions	0	0	0	0	0	0
Equipment Deletions	0	0	0	0	0	0
Donated Commodities	55,536	0	0	0	0	55,536
Operating Grants	39,866	0	0	0	0	39,866
Net Income (Loss)	<u>14,189</u>	<u>(14,995)</u>	<u>3,143</u>	<u>72,090</u>	<u>(99,607)</u>	<u>(25,180)</u>
Net Working Capital	<u>(35,135)</u>	<u>40,067</u>	<u>51,006</u>	<u>165,796</u>	<u>321,022</u>	<u>542,756</u>
Total Assets	<u>42,180</u>	<u>60,864</u>	<u>51,122</u>	<u>186,685</u>	<u>351,783</u>	<u>692,634</u>
Total Equity	<u>(68,936)</u>	<u>40,067</u>	<u>51,006</u>	<u>233,209</u>	<u>210,303</u>	<u>465,649</u>
Encumbrances at June 30, 2002	<u>\$540</u>	<u>\$36,005</u>	<u>\$200</u>	<u>\$1,826</u>	<u>\$10,554</u>	<u>\$49,125</u>

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, 2002.

Litigation:

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and 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 2002, the District hired an independent third party to complete a physical inventory and appraisal of all of its Fixed Assets. As a result, the District has restated beginning fixed asset balances in the General Fixed Asset Group. The District also changed its accounting for funds previously classified as Expendable Trust Funds and Special Revenue Funds to more appropriately classify these activities in the Special Revenue and General Fund respectively. These changes are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>
Fund balance at beginning of the year	\$5,745,324	871,177	180,018
 Fund Classification Change	 24,000	 156,018	 (180,018)
 Fund balance at beginning of the year, as restated	 <u>\$5,769,324</u>	 <u>\$1,027,195</u>	 <u>\$0</u>
 General Fixed assets at the beginning of the year		 General Fixed <u>Assets</u> 73,768,371	
 Fixed Asset Adjustment, net		 <u>12,286,732</u>	
General Fixed Assets at the beginning of the year, as restated		 <u>\$86,055,103</u>	

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UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

<u>FEDERAL GRANTOR</u>	Federal	Pass Through		Non-Cash		Non-Cash
<i>Pass Through Grantor</i>	CFDA	Entity		Receipts	Disbursements	Disbursements
Program Title	Number	Number	Receipts	Receipts	Disbursements	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Pass Through Ohio Department of Education:</i>						
Nutrition Cluster						
Food Distribution Program	10.550	N/A	\$ -	\$ 43,319	\$ -	\$ 40,818
National School Lunch Program	10.555	044933-LLP1-2001 044933-LLP4-01/02	36,493	-	36,493	-
Total U.S. Department of Agriculture - Nutrition Cluster			36,493	43,319	36,493	40,818
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>Pass Through Ohio Department of Education:</i>						
Employment Services and Job Training						
Pilots - Demonstrations and Research	17.249	044933-WKBE-2000	-	-	798	-
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Pass Through Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	84.027	044933-6BSF-01/02	394,199		340,042	
Special Education - Preschool Grants	84.173	044933-PGS1-2002	18,783		17,412	
Total Education Cluster			412,982	-	357,454	-
Immigrant Education	84.162	044933-EIS1-2002	4,300		5,920	
Safe and Drug-Free Schools and Communities	84.186	044933-DRS1-01/02	24,235		28,144	
Fund for the Improvement of Education	84.215	044933-PIS1-01/02	13,125		14,195	
Goals 2000 State and Local Educational Systemic Improvement Grant	84.276	044933-G2SV 2001	14,948		7,348	
Eisenhower Professional Development State Grant	84.281	044933-MSS1-00/02 044933-MSS4-01	17,906		19,985	
Innovative Educational Program Strategies	84.298	044933-C2S1-00/02	10,868		26,430	
Technology Literacy Challenge Fund Grant	84.318	044933-TF51-2001 044933-TF52-2001 044933-TF53-2001	249,890		235,895	
Class Size Reduction	84.340	044933-CRS1-00/02	35,262		43,520	
School Renovation	84.352	044933-ATS1-2002	1,447		1,380	
<i>Passed Through Columbus Public Schools</i>						
Vocational Education-Basic Grants to States	84.048		28,564		29,692	
Total U.S. Department of Education			813,527	-	769,963	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Pass through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	93.778		9,288		9,288	
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>						
<i>Pass Through Ohio Department of Education:</i>						
Learn and Serve America - School and Community Based Programs	94.004	044933-SVS5-2001 044933-SVS5-2002 044933-SVSP-2002	60,000 30,000 30,000		60,000 30,000	
Total Learn and Serve America - School and Community Based Programs			120,000	-	90,000	-
Total Federal Awards			\$ 979,308	\$ 43,319	\$ 906,542	\$ 40,818

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A-- Significant Accounting Policies

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

NOTE B – 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, 2002, the District had no significant food commodities in inventory.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the general purpose financial statements of Upper Arlington City School District, Franklin County, Ohio, (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated February 10, 2003. 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 February 10, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 10, 2003.

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.

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

BETTY MONTGOMERY
Auditor of State

February 10, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of Upper Arlington City School District, Franklin County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2002-10625-001. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated February 10, 2003.

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

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.

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.



BETTY MONTGOMERY
Auditor of State

February 10, 2003

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505

JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(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?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - CFDA # 84.027/ 84.173 Technology Literacy Challenge Fund Grant - CFDA # 84.318
(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 CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505

JUNE 30, 2002

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2002-10625-001
CFDA Title and Number	Technology Literacy Challenge Fund Grant – CFDA #84.318
Federal Award Number / Year	044933-TF53-2001
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Period of Availability – Questioned Costs

According to the Technology Literacy Challenge Fund Timeline Breakdown and based on the letter received by the District from Ohio School Net dated June 3, 2002 accompanying the receipt of draw #3 monies, all Technology Literacy Challenge Fund Grant monies for draw #3 were required to be spent by July 19, 2002.

The District spent \$11,338 of draw #3 grant monies after the July 19, 2002 deadline.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)**

JUNE 30, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10625-001	Fixed asset reporting	Yes	The District contracted with an appraisal firm to inventory and value the District's fixed assets. The District's fixed asset system was updated to reflect the appraiser's inventory valuation.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2003**