



Dave Yost • Auditor of State

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2.N, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the budgetary comparison schedule for the General Fund as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 26, 2011

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

As management of the Upper Arlington City School District (the District), we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

Financial Highlights

The District's net assets are \$80,063,328 as of June 30, 2011 according to the Statement of Net Assets. This represents an increase of \$2,732,189 or 3.5% from last year.

In November of 2007 the Citizens of the District authorized by vote a 6.2 mil combined operating and permanent improvement levy, with 4.2 mils for operating and 2.0 mils for permanent improvement. The levy began collection in January 2008 and raises approximately \$9.3 million in annual revenues.

The General Fund reported a positive fund balance of \$52,977,246. However, included within this balance is approximately \$16.3 million in tax revenues intended to finance next year's operations. Under accrual accounting, monies certified as being available for advance by the County Auditor, as of fiscal year end, are recognized as revenues within that fiscal year. On a budgetary basis these monies are intended to finance the following year.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the District's Most Significant Fund

Fund Financial Statements

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011, CONTINUED
(UNAUDITED)**

Governmental Funds

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

Fiduciary Fund

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$80,063,328 according to the Statement of Net Assets at the close of the most recent fiscal year.

One of the largest portions of the District's net assets (32.4%) reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2011 to 2010 follows from the Statements of Net Assets:

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 113,435,994	\$ 113,569,317
Capital assets	51,915,595	53,084,521
Total assets	<u>165,351,589</u>	<u>166,653,838</u>
Current liabilities	49,975,806	52,740,879
Long-term liabilities	35,312,455	36,581,820
Total liabilities	<u>85,288,261</u>	<u>89,322,699</u>
Net Assets:		
Invested in capital assets, net of debt	25,955,395	25,248,246
Restricted	8,240,647	8,109,062
Unrestricted	<u>45,867,286</u>	<u>43,973,831</u>
Total net assets	<u>\$ 80,063,328</u>	<u>\$ 77,331,139</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011, CONTINUED
(UNAUDITED)**

A portion of the District's net assets (10.3%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Changes in Net Assets
Governmental Activities

Program revenues:	<u>2011</u>	<u>2010</u>
Charges for services and sales	\$ 5,337,737	\$ 5,201,652
Operating grants and contributions	3,790,297	3,632,638
General revenues:		
Property taxes	67,693,830	66,513,356
Payment in lieu of taxes (PILOT)	117,152	-
Grants and entitlements	14,967,264	15,090,269
Investment earnings	264,076	530,353
Miscellaneous	895,903	1,045,058
Total revenues	<u>93,066,259</u>	<u>92,013,326</u>
Program expenses:		
Instructional	51,374,045	49,435,239
Support services	29,620,570	28,680,681
Extracurricular student activities	2,890,121	2,925,698
Food services	1,655,370	1,518,053
Community services	3,342,620	2,837,128
Interest on long-term debt	1,451,344	1,529,121
Total expenses	<u>90,334,070</u>	<u>86,925,920</u>
Special item - Transfer of Community Schools net assets	<u>-</u>	<u>91,923</u>
Change in net assets	2,732,189	5,179,329
Net assets at the beginning of year	<u>77,331,139</u>	<u>72,151,810</u>
Net assets at end of year	<u>\$ 80,063,328</u>	<u>\$ 77,331,139</u>

Governmental Activities

In 2011, net assets of the District's governmental activities increased by \$2,732,189. This increase is a result of revenues continuing to outpace expenses due to the the passage of the aforementioned levy, as well the District continuing to focus on maintaining expenses.

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011, CONTINUED
(UNAUDITED)**

Programs	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	\$ 51,374,045	\$ 49,691,652	\$ 49,435,239	\$ 48,042,823
Support services	29,620,570	28,028,079	28,680,681	27,299,826
Extracurricular student activities	2,890,121	1,454,210	2,925,698	1,162,855
Food service operations	1,655,370	257,566	1,518,053	113,461
Community services	3,342,620	323,185	2,837,128	(56,456)
Interest on long-term debt	<u>1,451,344</u>	<u>1,451,344</u>	<u>1,529,121</u>	<u>1,529,121</u>
Total	<u>\$ 90,334,070</u>	<u>\$ 81,206,036</u>	<u>\$ 86,925,920</u>	<u>\$ 78,091,630</u>

Local property taxes make up 72.7% of total revenues for governmental activities. The net cost of service column reflects the need for \$81,206,036 of support indicating the reliance on general revenues to support governmental activities.

The District's Funds

The District's governmental funds reported a combined fund balance of \$60,755,972, which represents an increase of \$3,368,163 as compared to last year's total of \$57,387,809 according to the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The schedule below shows the fund balances and the total change in fund balances from June 30, 2011 to 2010, after the restatement for the District implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, certain funds previously reported as Other Governmental Funds were reclassified to the General Fund.

	Fund Balance at		
	Fund Balance at June 30, 2011	June 30, 2010, as restated	Increase (Decrease)
General Fund	\$ 52,977,246	\$ 50,609,539	\$ 2,367,707
Other Governmental Funds	<u>7,778,726</u>	<u>6,778,270</u>	<u>1,000,456</u>
Total	<u>\$ 60,755,972</u>	<u>\$ 57,387,809</u>	<u>\$ 3,368,163</u>

General Fund

The District's General Fund balance increased as a result of revenues continuing to outpace expenditures as the District continues to focus on maintaining cost.

Other Governmental Funds

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$1,000,458. The increase is primarily the receipt of permanent improvement monies in advance of anticipated expenditures.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011, CONTINUED
(UNAUDITED)**

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

Revenues	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Property taxes	\$ 62,564,395	\$ 61,137,872	2.33%
Payments in lieu of taxes	117,152	-	100.00%
Intergovernmental	14,587,354	14,535,648	0.36%
Investment income	261,607	526,378	-50.30%
Other revenue	<u>1,495,658</u>	<u>830,355</u>	80.12%
Total	<u>\$ 79,026,166</u>	<u>\$ 77,030,253</u>	2.59%

In total, overall revenues increased as a result of the increase in property taxes as discussed earlier.

As the table below indicates, the largest portion of General Fund expenditures at 62.4% is for instructional services.

Expenditures by Function	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Instructional services	\$ 47,704,935	\$ 46,388,690	2.84%
Support services	27,360,715	26,752,878	2.27%
Co-curricular student activities	<u>1,441,634</u>	<u>1,174,991</u>	22.69%
Total	<u>\$ 76,507,284</u>	<u>\$ 74,316,559</u>	2.95%

Total general fund expenditures increased 2.95% over the prior year.

General Fund Budget Information

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

During the course of fiscal year 2011, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues (certified revenues plus other financing sources) of \$78,815,115 were \$1,445,126 higher than the original budgeted revenues estimate of \$77,369,989. The actual budget basis revenues and other financing sources for fiscal year 2011 totaled \$78,850,631, which was \$35,516 higher than the final budget revenues.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011, CONTINUED
(UNAUDITED)**

General fund original appropriations (appropriated expenditures plus other financing uses) of \$80,095,042 were decreased to \$78,235,779 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$77,371,232, which was \$864,547 less than the final budget appropriations.

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

- Revenues
The variance in property taxes related to the original budget, final budget and actual amounts is due to timing of payments from the County.
- Expenditures
Overall, the variance between actual expenditures and the final budget was approximately 1.1% of the total budget which is acceptable to District management.

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

Capital Assets

At June 30, 2011 the District has \$51,915,595 invested in capital assets net of accumulated depreciation. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$ 244,883	\$ 244,883	\$ 0
Construction in progress	195,200	137,898	57,302
Land improvements	2,546,265	2,546,265	0
Building and improvements	81,168,581	80,789,418	379,163
Furniture, fixtures and equipment	5,685,438	6,858,729	(1,173,291)
Vehicles	2,415,137	2,151,995	263,142
Less: Accumulated depreciation	(40,339,909)	(39,644,667)	(695,242)
Totals	\$ 51,915,595	\$ 53,084,521	(\$1,168,926)

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011, CONTINUED
(UNAUDITED)**

Debt

On June 30, 2011, the District had \$29,070,348 in long-term bonds outstanding. Additionally, the District has a short term note payable of \$722,000. The District paid \$1,880,000 in principal on bonds outstanding. Detailed information regarding long-term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2011, the District's general obligation debt was below the legal limit.

Component Units

Included within the Districts reporting entity is the following Component unit:

- The Wickliffe Progressive Community School

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

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

Economic Factors

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011, CONTINUED
(UNAUDITED)**

Contacting the District's Financial Management

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Primary Government	Component Unit
	GOVERNMENTAL ACTIVITIES	WICKLIFFE PROGRESSIVE COMMUNITY
ASSETS:		
Equity in pooled cash & investments	\$ 53,682,181	\$ -
Cash and cash equivalents in segregated accounts	-	90,929
Receivables	58,674,488	94
Due from other:		
Governments	804,479	86,728
Inventory	95,040	-
Deferred charges	179,806	-
Land and Construction in Progress	440,083	-
Depreciable capital assets, net of accumulated depreciation	51,475,512	36,770
TOTAL ASSETS	165,351,589	214,521
LIABILITIES:		
Accounts payable	1,487,646	5,814
Retainage payable	9,021	-
Due to other governments	1,348,675	-
Accrued interest payable	100,001	-
Unearned revenue	38,727,115	-
Accrued liabilities	7,581,348	-
Note payable	722,000	-
Long-term Liabilities:		
Due within one year	2,453,304	-
Due in more than one year	32,859,151	-
TOTAL LIABILITIES	85,288,261	5,814
NET ASSETS		
Invested in capital assets, net of related debt	25,955,395	36,770
Restricted for:		
Debt Service	3,374,775	-
Capital Outlay	2,094,021	-
Non-Public Schools	36,714	-
Special Education	270,990	-
Community Services	1,362,135	-
Student Activities	612,991	-
Other Purposes	489,021	-
Unrestricted	45,867,286	171,937
TOTAL NET ASSETS	\$ 80,063,328	\$ 208,707

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instructional services:			
Regular	\$ 42,546,540	\$ 389,569	\$ 289,572
Special	8,691,548	86,496	916,756
Vocational	135,957	-	-
Support services:			
Operation and maintenance of plant	6,999,587	2,928	5,298
School administration	4,911,763	-	388,652
Pupils	4,855,412	-	-
Fiscal	1,738,556	25,444	150,133
Business operations	591,095	-	25,427
Instructional staff	6,068,107	20,457	285,613
Student transportation	2,213,078	467	659,143
Central services	2,203,039	-	28,929
General administration	39,933	-	-
Extracurricular student activities	2,890,121	1,435,911	-
Food Service operations	1,655,370	1,323,607	74,197
Community services	3,342,620	2,052,858	966,577
Interest on long-term debt	1,451,344	-	-
Total Primary Governmental Activities	\$ 90,334,070	\$ 5,337,737	\$ 3,790,297
 Component Unit:			
Wickliffe Progressive Community School	\$ 3,496,805	\$ 21,153	\$ 660,589

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

Change in Net Assets

Net Assets Beginning of Year
Net Assets End of Year

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS :			
Equity in pooled cash and investments	\$ 45,622,462	\$ 8,059,719	\$ 53,682,181
Receivables	53,785,608	4,888,880	58,674,488
Due from other:			
Governments	-	804,479	804,479
Funds	60,432	-	60,432
Inventory	78,111	16,929	95,040
TOTAL ASSETS	\$ 99,546,613	\$ 13,770,007	\$ 113,316,620
LIABILITIES:			
Accounts payable	667,043	829,624	1,496,667
Due to other:			
Governments	1,256,304	92,371	1,348,675
Funds	-	60,432	60,432
Deferred revenue	37,355,725	3,995,801	41,351,526
Accrued liabilities	7,290,295	291,053	7,581,348
Note payable	-	722,000	722,000
TOTAL LIABILITIES	46,569,367	5,991,281	52,560,648
FUND BALANCES:			
Nonspendable -			
Inventories	78,111	16,929	95,040
Restricted for:			
Debt Service	-	3,390,599	3,390,599
Capital Outlay	-	2,009,062	2,009,062
Non-Public Schools	-	79,006	79,006
Special Education	-	58,864	58,864
Community Activities	-	1,441,994	1,441,994
Student Activities	-	612,991	612,991
Other Purposes	-	301,756	301,756
Assigned	8,210,082	-	8,210,082
Unassigned	44,689,053	(132,475)	44,556,578
TOTAL FUND BALANCES	52,977,246	7,778,726	60,755,972
TOTAL LIABILITIES & FUND BALANCES	\$ 99,546,613	\$ 13,770,007	\$ 113,316,620

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances	\$ 60,755,972
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	51,915,595
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,624,411
Deferred charges are not recognized in the funds.	179,806
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable	(100,001)
Compensated absences	(6,242,107)
Bonds payable	(29,070,348)
Net Assets of Governmental Activities	<u><u>\$ 80,063,328</u></u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
Property taxes	\$ 62,564,395	\$ 5,484,320	\$ 68,048,715
Payment in lieu of taxes	117,152	-	117,152
Intergovernmental:			
Federal Restricted Grants-in-aid	-	2,837,953	2,837,953
State:			
Unrestricted Grants-in-aid	14,587,354	796,366	15,383,720
Restricted Grants-in-aid	-	908,005	908,005
Investment income	261,607	3,005	264,612
Charges for services	-	3,359,511	3,359,511
Co-curricular activities	289,895	1,097,168	1,387,063
Tuition fees	390,995	-	390,995
Other	814,768	278,276	1,093,044
TOTAL REVENUES	79,026,166	14,764,604	93,790,770
EXPENDITURES:			
Current:			
Instructional services:			
Regular	39,998,905	1,044,430	41,043,335
Special	7,570,073	978,799	8,548,872
Vocational	135,957	-	135,957
TOTAL INSTRUCTIONAL SERVICES	47,704,935	2,023,229	49,728,164
Support services:			
Operation and maintenance of plant	6,803,076	117,926	6,921,002
School administration	4,237,478	570,250	4,807,728
Pupils	4,510,711	221,906	4,732,617
Fiscal	1,638,946	101,925	1,740,871
Business operations	585,316	3,864	589,180
Instructional staff	5,785,331	278,630	6,063,961
Student transportation	1,634,433	451,915	2,086,348
Central services	2,125,491	38,417	2,163,908
General administration	39,933	-	39,933
TOTAL SUPPORT SERVICES	27,360,715	1,784,833	29,145,548
Co-curricular student activities	1,441,634	1,336,912	2,778,546
Community services	-	3,074,541	3,074,541
Food service	-	1,631,385	1,631,385
Capital outlay	-	1,059,295	1,059,295
Debt service:			
Principal retirement	-	1,880,000	1,880,000
Interest	-	1,127,619	1,127,619
TOTAL EXPENDITURES	76,507,284	13,917,814	90,425,098
Excess of revenues over expenditures	2,518,882	846,790	3,365,672
OTHER FINANCING SOURCES (USES):			
Premium on issuance of notes	-	2,491	2,491
Transfers in	-	151,175	151,175
Transfers out	(151,175)	-	(151,175)
TOTAL OTHER FINANCING SOURCES (USES)	(151,175)	153,666	2,491
Change in Net Assets	2,367,707	1,000,456	3,368,163
FUND BALANCES AT BEGINNING OF YEAR, as restated	50,609,539	6,778,270	57,387,809
FUND BALANCE AT END OF YEAR	\$ 52,977,246	\$ 7,778,726	\$ 60,755,972

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net Changes in Fund Balances - Total Governmental Funds **\$ 3,368,163**

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

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

Capital outlay	\$ 1,098,871	
Depreciation	<u>(2,214,237)</u>	(1,115,366)

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

Capital asset disposals	(1,572,555)	
Disposal depreciation	<u>1,518,995</u>	(53,560)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (727,002)

Repayment of principal on debt obligations is an expenditure in governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. 1,880,000

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

Compensated absences	(296,321)
Accretion	(327,514)
Amortization, net	(3,925)
Interest expense	7,714

Change in Net Assets of Governmental Activities \$ 2,732,189

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011**

	AGENCY FUND
ASSETS:	
Equity in pooled cash and investments	\$ 216,291
Accounts receivable	251
TOTAL ASSETS	\$ 216,542
 LIABILITIES:	
Accounts payable	\$ 14,864
Accrued wages	45
Due to:	
Student Activities	200,377
Others	1,256
TOTAL LIABILITIES	\$ 216,542

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

1. Description of the School and Reporting Entity

The Upper Arlington City School District, Franklin County, Ohio (the District) was organized in 1918 and is a fiscally independent political subdivision of the State of Ohio, Franklin County, Ohio. The District is governed by a five-member Board of Education (the Board) elected by the citizens of Upper Arlington. The District is comprised of 8 schools and other buildings and departments that employ approximately 800 employees. Our student population is 5,071 students, excluding Community Schools' enrollment.

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

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

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

The WPC School is intended to serve kindergarten through fifth grade level students who reside within the Upper Arlington City School District and who are interested in pursuing an alternative schooling option. The WPC School is a discretely presented component unit of the Upper Arlington City School District (Sponsor). Enrollment in 2010-11 was 496 students.

Separately, issued financial statements for WPC School may be obtained from the Upper Arlington City School District, 1950 North Mallway, Upper Arlington, Ohio 43221.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

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

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

JOINT VENTURE WITHOUT EQUITY INTEREST

Rockbridge Academy

The Rockbridge Academy is a joint venture consisting of a consortium of four school districts. The District does have an ongoing financial obligation to support the Rockbridge Academy's operations. See Note 12 to the basic financial statements.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

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

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

2. Summary of Significant Accounting Policies

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

(A) Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements which provide a more detailed level of fund information.

(B) Government-wide and fund financial statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(B) Government-wide and fund financial statements (Continued)

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

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

(C) Fund Accounting

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

Governmental Funds

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

The District reports the following *major* governmental fund:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(C) Fund Accounting (Continued)

Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two significant agency funds. These include an agency fund to account for student managed activity programs and also an employee benefit agency fund which is used as a clearance account for retirement and insurance withholding payments. The District has not established any of the above trust funds.

(D) Measurement focus

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

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

Fiduciary funds are reported using the economic resources measurement focus.

(E) Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(E) 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. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue

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

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

Expenditures/Expenses

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(F) Budgetary Process

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

Tax Budget:

Prior to January 15, the Superintendent and the Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. 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 budget is filed with the Franklin County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(F) Budgetary Process (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are not reported.

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.

(G) Cash and Investments

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

During fiscal year 2011, investments were limited to repurchase agreements, certificates of deposits, federal securities, commercial paper, and STAR Ohio.

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

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2011. 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, 2011.

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$261,607, which includes \$31,197 assigned from other funds.

(H) Inventory

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(H) Inventory (Continued)

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

(I) Capital Assets and Depreciation

Capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide Statement of Net Assets but are not reported in the fund statements.

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

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

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

(J) Interfund Activity

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

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

(K) Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(K) Compensated Absences (Continued)

District employees are granted vacation, personal leave, and sick leave in varying amounts. All leave will either be absorbed by time off from work, or with certain limitations, be paid to the employees when their employment ceases. Sick leave benefits are only paid upon retirement at the rate of 25% up to a maximum amount of days as determined by negotiated agreements with the two bargaining units and Board policy for all other employees. The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The noncurrent portion of the liability is not recorded. The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

(L) Accrued Liabilities and Long-term Debt

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

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

(M) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide Statement of Net Assets reports \$8,240,647 of restricted net assets, of which none is restricted by enabling legislation.

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(N) *Fund Balances*

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

The District does not have a formal minimum fund balance policy.

(O) *Estimates*

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

(P) *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. At June 30, 2011, the District had no events which qualified as an extraordinary or special item.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

(Q) Unamortized Issuance Costs/ Bond Premium

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

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

(R) Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District has no restricted assets.

3. Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "*Fund Balance Reporting.*" This Statement establishes accounting and financial reporting guidance for fund balance reporting. See Note 2 N above and Note 18.

4. Deposits and Investments

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

4. Deposits and Investments (Continued)

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

Interim monies may be invested in the following obligations:

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal governmental agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; The State Treasurer's investment pool (STAR Ohio);
- 6) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
- 7) Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched-to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

4. Deposits and Investments (Continued)

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2011, the District and public depositories complied with the provisions of these statutes.

At year-end, the carrying amount of all District deposits was \$35,220,756, exclusive of \$13,687 in cash on hand. The combined bank balance was \$36,017,306 of which \$8,772,701 was covered by FDIC insurance and \$27,244,605 was uninsured. Of the remaining uninsured bank balance, all was collateralized with eligible securities held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits are also collateralized with specific collateral held at the Federal Reserve Bank in the name of the District.

Investments:

As of June 30, 2011, the District had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 98,312	56
Commercial Paper	7,495,013	Less than six months
FFCB	2,006,380	19 to 24 months
Repurchase Agreement*	<u>8,873,855</u>	Less than 1 year
Total Investments	<u>\$18,473,560</u>	

* Underlying securities are guaranteed by the US government.

Interest Rate Risk

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

Credit Risk

The District's investments in commercial paper listed above were rated A-1+ and P-1 by Moody's Investor Services and, Standard and Poor's respectively. The FFCB listed above were rated Aaa and AAA by Moody's Investor Services and, Standard and Poor's respectively. Standard and Poor's has assigned STAROhio an AAAM money market rating.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

4. Deposits and Investments (Continued)

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's total investments, 48.0% are included in the repurchase agreement, 40.6% are included in commercial paper, 10.9% are included in the FFCB while less than 1.0% is in STAROhio.

Component Unit Cash and Cash Equivalents

At June 30, 2011, the carrying amount and bank balance of the component unit deposit were \$90,929 and \$91,573, respectively. The bank balance was covered 100% by the Federal Deposit Insurance Corporation.

5. Receivables

Receivables at June 30, 2011, consist of the following:

Governmental activities:	Taxes	PILOT's	Interest	Other	Totals
General	\$ 53,214,167	\$ 494,558	\$ 67,652	\$ 9,231	\$ 53,785,608
Other governmental funds	4,878,900	-	-	9,980	4,888,880
Total Governmental Activities	\$ 58,093,067	\$ 494,558	\$ 67,652	\$ 19,211	\$ 58,674,488

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2011, follows:

	Balance June 30, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
<u>Governmental Activities Cost</u>					
Land (not being depreciated)	\$ 244,883	\$ -	\$ -	-	\$ 244,883
Construction in progress	137,898	195,200	-	(137,898)	195,200
Land improvements	2,546,265	-	-	-	2,546,265
Building and improvements	80,789,418	241,265	-	137,898	81,168,581
Furniture, fixtures and equipment	6,858,729	152,428	1,325,719	-	5,685,438
Vehicles	2,151,995	509,978	246,836	-	2,415,137
Total at cost	92,729,188	1,098,871	1,572,555	-	92,255,504
<u>Less accumulated depreciation</u>					
Land improvements	1,489,328	98,660	-	-	1,587,988
Building and improvements	31,276,941	1,694,467	-	-	32,971,408
Furniture, fixtures and equipment	5,506,979	286,402	1,282,987	-	4,510,394
Vehicles	1,371,419	134,708	236,008	-	1,270,119
Total accumulated depreciation	39,644,667	2,214,237	1,518,995	-	40,339,909
Capital assets, net	\$ 53,084,521	\$ (1,115,366)	\$ 53,560	-	\$ 51,915,595

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

6. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$1,723,868
Special	33,246
Support services:	
Pupils	96,812
Instructional staff	4,391
Administration	40,457
Operation and maintenance of plant	68,890
Student transportation	110,483
Extra-curricular activities	120,609
Community Service	520
Food service operations	14,961
Total depreciation expense	<u>\$2,214,237</u>

7. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2011, follows:

<u>Debt Issuance</u>	<u>Issued</u>	<u>7/1/2010 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2011 Balance</u>	<u>Due within 1 yr</u>
1996 Building Improvement Bonds	1997	\$ 174,366	\$ -	\$ -	\$ 174,366	\$91,226
1996 Bonds Interest Accretion	1997	3,164,483	182,378	-	3,346,861	1,781,432
General Obligation Bonds Payable		3,338,849	182,378	-	3,521,227	1,872,658
2005 Refunding Issue Bonds	2005	26,335,000	-	1,880,000	24,455,000	150,000
Premium on Refunding Bonds	2005	1,385,032	-	115,420	1,269,612	115,420
Deferred Amount on Refunding	2005	(1,226,640)	-	(102,220)	(1,124,420)	(102,220)
2005 Bonds Interest Accretion	2005	803,793	145,136	-	948,929	-
Refunding Bonds Payable		27,297,185	145,136	1,893,200	25,549,121	163,200
Compensated Absences	N/A	5,945,786	839,207	542,886	6,242,107	417,446
Total Long-Term Obligations		\$36,581,820	\$ 1,166,721	\$2,436,086	\$35,312,455	\$2,453,304

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

7. Long-Term Obligations (Continued)

The annual maturities of the general obligation bonds (at par) as of June 30, 2011, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2012	3.0 - 5.25	241,226	2,816,019
2013	3.0 - 5.25	238,151	2,858,668
2014	2.75 - 5.25	1,402,493	1,741,508
2015	2.75 - 5.25	1,367,496	1,816,514
2016	2.75 - 5.25	2,150,000	1,069,000
2017 - 2021	5.0 - 5.25	13,155,000	3,576,750
2022 - 2023	5.0 - 5.25	6,075,000	449,000
 Total		<u>\$ 24,629,366</u>	<u>\$ 14,327,459</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. An exception to the 9% limit is provided in ORC 133.06(E). At June 30, 2011 the District's total net debt was 1.54% of the total assessed value of all property within the District.

8. Capital Lease Obligation

The District had no capital lease obligations as of June 30, 2011.

9. Notes Payable

The District issued \$ 722,000 in tax anticipation notes (TAN) in fiscal year 2011. The TAN's were issued to fund permanent improvements. The TAN was issued on June 23, 2011 with a stated rate of interest of 1.0%. The TAN matures on June 21, 2012. The District issued \$ 1,475,000 in tax anticipation notes in fiscal year 2010. The 2010 TAN's were issued to fund permanent improvements. The 2010 note was issued on June 25, 2010 with a stated rate of interest of 2.0%. The 2010 TAN matured on June 24, 2010. The government-wide and fund financial statements reflect notes payable of \$722,000 at June 30, 2011.

A summary of the note activity for the fiscal year ended June 30, 2011 follows:

Outstanding July 1, 2010	Issued 2011	Retired 2011	Outstanding June 30, 2011
\$ 1,475,000	\$ 722,000	\$ 1,475,000	\$ 722,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

10. Defined Benefit Pension Plans

State Teachers Retirement System

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

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

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

The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

10. Defined Benefit Pension Plans (Continued)

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

For fiscal year ended June 30, 2009 (most recent information available) members were required to contribute 10% of their annual covered salary and the District was required to contribute 14%. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14% contributed by the District, 13% was the portion used to fund pension obligations.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010 and 2009 were \$5,860,956, \$5,826,576, and \$5,761,764, respectively; 84.98% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009. \$880,298 representing the unpaid contribution for fiscal year 2011 is recorded as a liability within the respective funds. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010 and 2009 were \$1,428,021, \$1,366,593, and \$1,283,560, respectively; 96.8% has been contributed for fiscal year 2011 and 100% for fiscal year 2010 and 2009. \$45,656 representing unpaid contributions for fiscal year 2011 is recorded as a liability within the respective funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

11. Postemployment Benefits Other Than Pension Benefits

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

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2011, 2010 and 2009 the District's contributions to post-employment health care were \$418,640, \$416,184, and \$411,555 respectively; 84.98% has been contributed for 2011 and 100% for fiscal years 2010 and 2009.

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees. The Health Care Plan provides health care and prescription drug plans administered by two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Retirement Board establishes rules for premiums paid by retirees for health care coverage and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. SERS' Retirement Board reserves the right to change or discontinue any health plan or program.

The Medicare Part B premium reimbursement plan reimburses eligible retirees for the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2010 the actuarially required allocation was .76%. For the fiscal years ended June 30, 2011, 2010 and 2009 the District's contributions to Medicare Part B were \$77,521, \$74,186, and \$59,614 respectively; 99.55% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

The Health Care Plan is funded through employer contributions and was established under Internal Revenue Code 105(e). Each year after allocation for required benefits the Retirement Board allocates the remainder of the employers' 14% contribution. At June 30, 2010 the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

11. Postemployment Benefits Other Than Pension Benefits (Continued)

The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the fiscal year ended June 30, 2011 District contributions to the Health Care Plan, including the surcharge, was \$200,432; 99.55% has been contributed for fiscal year 2011

12. Joint Venture Without Equity Interest

The Rockbridge Academy (Academy) is a joint venture consisting of a consortium of four schools districts. The joint venture was formed for the purpose of providing alternative education services to at risk students. The Governing Board of the Academy consists of six members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the joint venture, however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligation. The Academy is dependent upon continued support of the member schools as it is not independently accumulating adequate financial resources.

The Educational Service Center of Central Ohio (ESC) is the fiscal agent for the Academy. Further detailed financial information may be obtained by contacting the ESC at 614-445-3750.

13. Property Taxes

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

Property taxes include amounts levied against all real, public utility property, and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Beginning 2001, the Ohio general Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

13. Property Taxes (Continued)

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, 2010, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2011 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

Real Estate	\$ 1,583,322,780
Public Utility	13,437,540
Total	<u>\$ 1,596,760,320</u>

14. Contingent Liabilities

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

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

15. Set-Aside Calculations

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The budget stabilization reserve is optional; however, the Board elected by resolution to continue the reserve as permitted by law. The budget stabilization reserve reflects the monies designated by the by the Board of Education to be used to offset a budget deficit if it should occur. There are no requirements for additions to the budget stabilization reserve.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

15. Set-Aside Calculations (Continued)

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

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	Budget Stabilization <u>Reserve</u>
Set-aside cash balance as of June 30, 2010	\$(2,410,390)	\$ -	\$ 1,165,304
Current year set-aside requirement	813,395	813,395	-
Current year offsets	-	(3,212,724)	-
Qualifying disbursements	<u>(1,225,948)</u>	<u>(218,299)</u>	<u>-</u>
Total	<u><u>\$(2,822,943)</u></u>	<u><u>\$(2,617,628)</u></u>	<u><u>\$ 1,165,304</u></u>
Balance carried forward to FY 2012	<u><u>\$(2,822,943)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,165,304</u></u>

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

16. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011 the District contracted with an independent insurance provider for general liability insurance with an \$8 million umbrella coverage.

The District maintains property insurance of approximately \$142 million. Property and fleet insurance is provided by an independent insurance provider and property holds a \$5,000 deductible and the bus fleet and maintenance vehicles have a \$500 deductible and a \$1,000,000 limit per occurrence. A \$250,000 employee dishonesty blanket bond is also included for all employees.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

17. Interfund Transactions

- A.** Interfund balances at June 30, 2011 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service -Special Revenue	\$ 50,000
General Fund	Technology Grant – Special Revenue	\$ 8,320
General Fund	Improving Teacher Quality – Special Revenue	\$ 389
General Fund	Miscellaneous Federal Grants – Special Revenue	\$ 1,723

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2011, consisted of the following transfers from the General fund to other governmental Special Revenue funds:

District Managed Student Activities Fund	\$ 73,250
Food Service Fund	60,000
Summer Academy Fund	17,925
	<u>\$ 151,175</u>

All transfers are considered allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

18. Restatement

On July 1, 2010, the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, certain funds previously reported as Special Revenue Funds were reclassified to the General Fund. The adjustment had the following effect on beginning fund balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund balance July 1, 2010	\$ 50,258,469	\$ 7,129,340
Fund Reclassifications:		
Uniform School Supplies	192,727	(192,727)
Public School Support	158,343	(158,343)
Fund balance as restated	<u>\$ 50,609,539</u>	<u>\$ 6,778,270</u>

Upper Arlington City Schools
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget-
				Positive/(Negative)
REVENUES:				
Property and Other Local Taxes	\$ 61,698,327	\$ 62,751,000	\$ 62,770,046	\$ 19,046
Intergovernmental	14,468,662	14,604,572	14,587,355	(17,217)
Interest	600,000	355,000	358,489	3,489
Tuition and Fees	115,000	96,000	86,496	(9,504)
Rent	125,000	135,000	162,085	27,085
Extracurricular Activities	150,000	150,000	150,532	532
Gifts and Donations	50,000	50,000	71,092	21,092
Miscellaneous	100,000	558,543	558,046	(497)
Total Revenues	77,306,989	78,700,115	78,744,141	44,026
EXPENDITURES:				
Current:				
Instruction:				
Regular	41,379,947	39,942,989	39,833,479	109,510
Special	6,882,965	6,715,327	6,616,693	98,634
Vocational	213,667	150,469	148,957	1,512
Student Intervention Services	911,188	1,089,388	1,083,886	5,502
Support Services:				
Pupils	4,539,293	4,503,141	4,459,025	44,116
Instructional Staff	6,439,392	6,092,029	5,929,508	162,521
Board of Education	56,956	50,953	40,595	10,358
Administration	4,402,637	4,441,645	4,347,202	94,443
Fiscal	1,859,875	1,667,153	1,654,931	12,222
Business	731,923	647,568	626,268	21,300
Operation and Maintenance of Plant	7,198,970	7,167,902	7,062,669	105,233
Pupil Transportation	1,786,190	1,717,930	1,704,773	13,157
Central	2,324,298	2,326,470	2,203,298	123,172
Extracurricular Activities:				
Academic Oriented Activities	234,543	238,603	228,480	10,123
Sport Oriented Activities	874,806	1,048,780	1,011,931	36,849
School and Public Service Co-Curricular Activities	49,242	63,282	59,469	3,813
				-
Total Expenditures	79,885,892	77,863,629	77,011,164	852,465
Excess of Revenues Over (Under) Expenditures	(2,578,903)	836,486	1,732,977	896,491
OTHER FINANCING SOURCES AND USES:				
Advances In	25,000	45,000	40,000	(5,000)
Refund of Prior Year Expenditures	38,000	70,000	66,490	(3,510)
Transfers Out	(109,150)	(167,150)	(161,975)	5,175
Advances Out	(50,000)	(105,000)	(98,320)	6,680
Refund of Prior Year Receipts	(50,000)	(100,000)	(99,773)	227
Total Other Financing Sources and Uses	(146,150)	(257,150)	(253,578)	3,572
Net Change in Fund Balances	(2,725,053)	579,336	1,479,399	900,063
Fund Balance (Deficit) at Beginning of Year	41,439,423	41,439,423	41,439,423	
Prior Year Encumbrances Appropriated	1,075,743	1,075,743	1,075,743	
Fund Balance (Deficit) at End of Year	\$ 39,790,113	\$ 43,094,502	\$ 43,994,565	\$ 900,063

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

A. Budgetary Information

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

- (1) A Tax Budget of estimated cash receipts and disbursements is submitted to the Franklin County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Upper Arlington Board of Education holds a budget hearing when it normally adopts the Tax Budget at the first regular meeting in January, following the budget hearing.
- (2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.
- (3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Upper Arlington Board of Education adopted its 2011 permanent appropriation measure at its September 13, 2010 regular meeting. The Board of Education adopted at the June 24, 2010 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

B. Reconciling Budgetary Basis and GAAP

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

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

Change in net assets	\$ 2,367,707
Adjustments:	
Due to revenues	211,857
Due to expenditures	(982,421)
Due to other financing sources	(90,929)
Funds budgeted as Special Revenue Funds	(26,815)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u>\$ 1,479,399</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, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster						
School Breakfast Program	N/A	10.553	\$ -	\$ 41,432	\$ -	\$ 41,432
National School Lunch Program	044933-LLP4-2010/2011	10.555	63,320		63,320	
Total Nutrition Cluster			63,320	-	63,320	-
Total U.S. Department of Agriculture			63,320	41,432	63,320	41,432
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Cluster						
Title I Grants to Local Educational Agencies	044933-C1S1-2010/2011	84.010	180,132		179,210	
ARRA Title I Grants to Local Educational Agencies	2010/2011	84.389	118,740		117,165	
Total Title I Cluster			298,872	-	296,375	-
Special Education Cluster:						
Special Education Grants to States	044933-6BSF-2009/2010/2011	84.027	1,051,226		1,079,962	
Special Education Preschool Grants	2010/2011	84.173	16,213		16,213	
ARRA Special Education Grants to States	2010/2011	84.391	935,896		961,074	
ARRA Special Education Preschool Grants	2010/2011	84.392	20,795		20,795	
Total Special Education Cluster			2,024,130	-	2,078,044	-
ARRA - State Fiscal Stabilization Fund	2010/2011	84.394	294,458		294,458	
Education Jobs Fund	044933-0000-2011	84.410	11,256		11,256	
Education Technology State Grants	044933-TJS1-2011	84.318	2,642		2,642	-
English Language Acquisition Grants	044933-T3S1-2010/2011	84.365	12,300		11,705	
Improving Teacher Quality State Grants	044933-TRS1-2010/2011	84.367	106,072		105,721	-
Learn and Serve America School and Community Based Programs	044933-SVS1-2010/2011	94.004	27,583		30,187	-
Total U.S. Department of Education			2,777,313		2,830,388	-
Total Federal Awards			\$ 2,840,633	\$ 41,432	\$ 2,893,708	\$ 41,432

The accompanying notes 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, 2011**

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' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts between 2010 and 2011 programs:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Transferred between 2010 to 2011</u>
ARRA Special Education Grants to States	84.391	\$ 7,271
Education Technology State Grants	84.318	303
English Language Acquisition Grants-LEP	84.365	277
English Language Acquisition Grants-Immigrant	84.365	477
Improving Teacher Quality State Grants	84.367	800



Dave Yost • Auditor of State

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

Upper Arlington City School District
Franklin County
1950 N. Mallway Drive
Upper Arlington, Ohio 43221

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2011, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 26, 2011.

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



Dave Yost
Auditor of State

October 26, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Upper Arlington City School District
Franklin County
1950 N. Mallway Drive
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 could directly and materially affect Upper Arlington City School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of Wickliffe Progressive Community School, which received \$639,156 in federal awards which is not included in the District's Schedule of Federal Awards Receipts and Expenditures for the year ended June 30, 2011. Our audit of Federal awards, described below, did not include the operations of Wickliffe Progressive Community School because the component unit engaged another auditor to audit its Federal award programs in accordance with OMB Circular A-133.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Findings 2011-001.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2011-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

October 26, 2011

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	<u>Special Education Cluster</u> Special Education Grants to States CFDA #84.027; ARRA – Special Education Grants to States CFDA #84.391; Special Education – Preschool Grant CFDA #84.173 ARRA – Special Education Preschool Grants CFDA #84.392
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2011-001
-----------------------	----------

CFDA Title and Number	State Fiscal Stabilization Fund Grant, CFDA #84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Allowable Costs/Cost Principles – Noncompliance Finding / Questioned Cost / Significant Deficiency

2 C.F.R. Part 225, Appendix B subsection 4.a-b provides that the costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are allowable. Also see 31 U.S.C. 7505(b) and section 230 ("Audit Costs") of Circular A-133. Other audit costs are allowable if included in a cost allocation plan or indirect cost proposal, or if specifically approved by the awarding agency as a direct cost to an award. Additionally, Ohio Revised Code 117.13(C)(3) states the fiscal officer may distribute such total cost of the audit to each fund audited in accordance with its percentage of the total cost.

During fiscal year 2011, the District charged its entire 2010 audit cost to State Fiscal Stabilization Fund totaling \$25,427. The District was subject to single audit during fiscal year 2010, however the District charged all of the audit costs to the SFSF grant and did not distribute the audit costs in accordance with the requirements noted above.

The failure to properly allocate audit costs resulted in an ineligible use of SFSF grant funds related to audit cost, which should have been paid by other District funds.

Total questioned costs for expenditures that were not allowable costs were \$25,427. We recommend the District charge audit costs to federal funds only in a proration of programs / funds audited in accordance with its percentage of the total costs where allowable by law.

Official's Response and Corrective Action Plan:

The District was diligent in monitoring the communication sent out by the Ohio Department of Education regarding the proper use of State Fiscal Stabilization Funds (SFSF). We did not note any overt mention in those communications which specifically prohibited the use of SFSF funds to pay for annual audit costs or detailing the circumstances and criteria necessary for such an expense to be allowable. Although SFSF funding is no longer available, the District has made the necessary changes to ensure that we are processing only allowable expenditures using such funds.

Responsible Contact Person: Andrew Geistfeld



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Upper Arlington City School District
Franklin County
1950 N. Mallway Drive
Upper Arlington, Ohio 43221

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Upper Arlington City School District, Franklin County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy at its meeting on August 30, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board, 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 "Dave Yost".

Dave Yost
Auditor of State

October 26, 2011

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Dave Yost • Auditor of State

UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 15, 2011