



**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, 2012, 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.

As disclosed in Note 1, the operations of the discretely presented component unit, Wickliffe Progressive Community School, have ceased as of June 30, 2012.

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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, 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 federal awards receipts and expenditures schedule 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 federal awards receipts and expenditures schedule 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. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. 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

November 7, 2012

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012.

**Financial Highlights**

The District's net assets are \$80,228,857 as of June 30, 2012 according to the Statement of Net Assets. This represents an increase of \$165,529 or 0.2% from last year.

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

The General Fund reported a positive fund balance of \$51,183,672. However, included within this balance is approximately \$24.9 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, 2012, 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 Net Assets, 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 \$80,228,857 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 (32.1%) 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 2012 to 2011 follows from the Statements of Net Assets:

	<b>Net Assets</b>	
	<u>Governmental Activities</u>	
	2012	2011
Current assets	\$ 112,132,311	\$ 113,435,994
Capital assets	<u>50,969,810</u>	<u>51,915,595</u>
Total assets	<u>163,102,121</u>	<u>165,351,589</u>
Current liabilities	48,932,638	49,975,806
Long-term liabilities	<u>33,940,626</u>	<u>35,312,455</u>
Total liabilities	<u>82,873,264</u>	<u>85,288,261</u>
<b>Net Assets:</b>		
Invested in capital assets, net of debt	25,778,423	25,955,395
Restricted	9,109,106	8,240,647
Unrestricted	<u>45,341,328</u>	<u>45,867,286</u>
Total net assets	<u>\$ 80,228,857</u>	<u>\$ 80,063,328</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012, CONTINUED  
(UNAUDITED)**

A portion of the District's net assets (11.4%) 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

<b>Program revenues:</b>	2012	2011
Charges for services and sales	\$ 5,552,243	\$ 5,337,737
Operating grants and contributions	2,583,111	3,790,297
<b>General revenues:</b>		
Property taxes	68,228,542	67,693,830
Payment in lieu of taxes (PILOT)	938,761	117,152
Grants and entitlements	13,652,059	14,967,264
Investment earnings	182,817	264,076
Miscellaneous	695,668	895,903
Total revenues	91,833,201	93,066,259
<b>Program expenses:</b>		
Instructional	53,226,168	51,374,045
Support services	29,876,897	29,620,570
Extracurricular student activities	2,824,387	2,890,121
Food services	1,387,469	1,655,370
Community services	2,977,770	3,342,620
Interest on long-term debt	1,374,981	1,451,344
Total expenses	91,667,672	90,334,070
Change in net assets	165,529	2,732,189
<b>Net assets at the beginning of year</b>	80,063,328	77,331,139
<b>Net assets at end of year</b>	\$ 80,228,857	\$ 80,063,328

*Governmental Activities*

In 2012, net assets of the District's governmental activities increased by \$165,529. This increase is a result of revenues continuing to outpace expenses due to 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, 2012, CONTINUED  
(UNAUDITED)**

Programs	2012		2011	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	\$ 53,226,168	\$ 51,843,477	\$ 51,374,045	\$ 49,691,652
Support services	29,876,897	29,100,572	29,620,570	28,028,079
Extracurricular student activities	2,824,387	1,186,508	2,890,121	1,454,210
Food service operations	1,387,469	105,969	1,655,370	257,566
Community services	2,977,770	(79,189)	3,342,620	323,185
Interest on long-term debt	1,374,981	1,374,981	1,451,344	1,451,344
Total	<u>\$ 91,667,672</u>	<u>\$ 83,532,318</u>	<u>\$ 90,334,070</u>	<u>\$ 81,206,036</u>

Local property taxes make up 74.3% of total revenues for governmental activities. The net cost of service column reflects the need for \$83,532,318 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 \$60,037,178, which represents a decrease of \$718,794 as compared to last year's total of \$60,755,972 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, 2012 to 2011.

	Fund Balance at June 30, 2012	Fund Balance at June 30, 2011	Increase (Decrease)
General Fund	\$ 51,183,672	\$ 52,977,246	\$ (1,793,574)
Other Governmental Funds	8,853,506	7,778,726	1,074,780
Total	<u>\$ 60,037,178</u>	<u>\$ 60,755,972</u>	<u>\$ (718,794)</u>

*General Fund*

The District's General Fund balance decreased as a result of decreasing revenue support from intergovernmental sources.

*Other Governmental Funds*

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$1,074,780. 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, 2012, CONTINUED  
(UNAUDITED)**

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

<b>Revenues</b>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Property taxes	\$ 61,982,037	\$ 62,564,395	-0.93%
Payments in lieu of taxes	938,761	117,152	701.32%
Intergovernmental	12,983,985	14,587,354	-10.99%
Investment income	179,939	261,607	-31.22%
Other revenue	1,210,623	1,495,658	-19.06%
Total	<u>\$ 77,295,345</u>	<u>\$ 79,026,166</u>	-2.19%

In total, overall revenues decreased as a result of decreasing revenue support from intergovernmental sources.

As the table below indicates, the largest portion of General Fund expenditures at 62.7% is for instructional services.

<b>Expenditures by Function</b>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Instructional services	\$ 49,448,502	\$ 47,704,935	3.65%
Support services	28,030,797	27,360,715	2.45%
Co-curricular student activities	1,372,997	1,441,634	-4.76%
Community Services	4,293	-	100.00%
Capital outlay	10,000	-	100.00%
Total	<u>\$ 78,866,589</u>	<u>\$ 76,507,284</u>	3.08%

Total general fund expenditures increased 3.08% 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 2012, the District amended its General Fund budget numerous times. For the General Fund, final budgeted revenues (certified revenues plus other financing sources) of \$68,017,529 were \$5,653,412 lower than the original budgeted revenues estimate of \$73,670,941. The actual budget basis revenues and other financing sources for fiscal year 2012 totaled \$68,123,276, which was \$105,747 higher than the final budget revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$80,962,249 were decreased to \$79,800,952 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$79,226,672, which was \$574,280 less than the final budget appropriations.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012, CONTINUED  
(UNAUDITED)**

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 0.7% 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, 2012 the District has \$50,969,810 invested in capital assets net of accumulated depreciation. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$ 244,883	\$ 244,883	\$ 0
Construction in progress	0	195,200	(195,200)
Land improvements	2,546,265	2,546,265	0
Building and improvements	82,157,676	81,168,581	989,095
Furniture, fixtures and equipment	5,867,408	5,685,438	181,970
Vehicles	2,404,177	2,415,137	(10,960)
Less: Accumulated depreciation	(42,250,599)	(40,339,909)	(1,910,690)
Totals	<u>\$ 50,969,810</u>	<u>\$ 51,915,595</u>	<u>(\$945,785)</u>

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

**Debt**

On June 30, 2012, the District had \$27,364,979 in long-term bonds outstanding. The District paid \$1,980,000 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, 2012, the District's general obligation debt was below the legal limit.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012, CONTINUED  
(UNAUDITED)**

**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.

On March 13, 2012, the Wickliffe Progressive Community School Board of Directors passed a resolution ("Resolution to Close") to shut down the operations of the WPC School. Operations ceased effective June 30, 2012.

**Economic Factors**

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

**Contacting the District's Financial Management**

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

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**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<u>Primary Government</u>
	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS:</b>	
Equity in pooled cash & investments	\$ 43,625,820
Receivables	67,729,414
Due from other:	
Governments	521,714
Inventory	92,682
Deferred charges	162,681
Land and Construction in Progress	244,883
Depreciable capital assets, net of accumulated depreciation	<u>50,724,927</u>
<b>TOTAL ASSETS</b>	<u><b>163,102,121</b></u>
<b>LIABILITIES:</b>	
Accounts payable	1,890,894
Due to other governments	1,603,699
Accrued interest payable	98,802
Unearned revenue	37,380,350
Accrued liabilities	7,958,893
Long-term Liabilities:	
Due within one year	2,428,492
Due in more than one year	<u>31,512,134</u>
<b>TOTAL LIABILITIES</b>	<u><b>82,873,264</b></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	25,778,423
Restricted for:	
Debt Service	3,601,358
Capital Outlay	2,923,425
Non-Public Schools	152,627
Community Services	1,368,057
Student Activities	637,538
Other Purposes	426,101
Unrestricted	<u>45,341,328</u>
<b>TOTAL NET ASSETS</b>	<u><u><b>\$ 80,228,857</b></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 ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities			
Instructional services:			
Regular	\$ 43,743,599	\$ 503,361	\$ 3,147
Special	9,396,705	59,548	816,635
Vocational	85,864	-	-
Support services:			
Operation and maintenance of plant	7,330,495	7,900	-
School Administration	4,864,004	-	358,925
Pupils	4,934,480	14,086	185,120
Fiscal	1,524,348	-	-
Business Operations	625,227	-	-
Instructional staff	6,510,053	2,803	191,291
Student transportation	1,959,944	-	-
Central services	2,081,741	-	16,200
General Administration	46,605	-	-
Extracurricular student activities	2,824,387	1,637,879	-
Food Service operations	1,387,469	1,230,838	50,662
Community services	2,977,770	2,095,828	961,131
Interest on long-term debt	1,374,981	-	-
<b>Total Primary Governmental Activities</b>	<b>\$ 91,667,672</b>	<b>\$ 5,552,243</b>	<b>\$ 2,583,111</b>
Component Unit:			
Wickliffe Progressive Community School	\$ 3,569,999	\$ 22,148	\$ 193,300

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.

Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
<u>Primary Government - Governmental Activities</u>	<u>Component Unit - Wickliffe Progressive Community School</u>
\$ (43,237,091)	\$ -
(8,520,522)	-
(85,864)	-
(7,322,595)	-
(4,505,079)	-
(4,735,274)	-
(1,524,348)	-
(625,227)	-
(6,315,959)	-
(1,959,944)	-
(2,065,541)	-
(46,605)	-
(1,186,508)	-
(105,969)	-
79,189	-
(1,374,981)	-
<u>\$ (83,532,318)</u>	<u>-</u>
-	<u>3,354,551</u>
68,228,542	-
938,761	-
13,652,059	3,145,844
182,817	-
695,668	-
<u>83,697,847</u>	<u>3,145,844</u>
165,529	(208,707)
<u>80,063,328</u>	<u>208,707</u>
<u>\$ 80,228,857</u>	<u>\$ -</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS :</b>			
Equity in pooled cash and investments	\$ 35,889,497	\$ 7,736,323	\$ 43,625,820
Receivables	62,097,558	5,631,856	67,729,414
Due from other:			
Governments	-	521,714	521,714
Funds	83,795	-	83,795
Inventory	76,390	16,292	92,682
<b>TOTAL ASSETS</b>	<b>\$ 98,147,240</b>	<b>\$ 13,906,185</b>	<b>\$ 112,053,425</b>
<b>LIABILITIES:</b>			
Accounts payable	936,772	954,122	1,890,894
Due to other:			
Governments	1,503,671	100,028	1,603,699
Funds	-	83,795	83,795
Deferred revenue	36,827,260	3,651,706	40,478,966
Accrued liabilities	7,695,865	263,028	7,958,893
<b>TOTAL LIABILITIES</b>	<b>46,963,568</b>	<b>5,052,679</b>	<b>52,016,247</b>
<b>FUND BALANCES:</b>			
Nonspendable -			
Inventories	76,390	16,292	92,682
Restricted for:			
Debt Service	-	3,422,508	3,422,508
Capital Outlay	-	2,807,959	2,807,959
Non-Public Schools	-	187,544	187,544
Special Education	-	72,762	72,762
Community Activities	-	1,468,517	1,468,517
Student Activities	-	637,538	637,538
Other Purposes	-	334,743	334,743
Assigned	571,712		571,712
Unassigned	50,535,570	(94,357)	50,441,213
<b>TOTAL FUND BALANCES</b>	<b>51,183,672</b>	<b>8,853,506</b>	<b>60,037,178</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 98,147,240</b>	<b>\$ 13,906,185</b>	<b>\$ 112,053,425</b>

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, 2012**

<b>Total Governmental Fund Balances</b>	\$ 60,037,178
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.	50,969,810
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	3,098,616
Deferred charges are not recognized in the funds.	162,681
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	(98,802)
Compensated absences	(6,575,647)
Bonds payable	(27,364,979)
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 80,228,857</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, 2012**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES:</b>			
Property taxes	\$ 61,982,037	\$ 5,463,911	\$ 67,445,948
Payment in lieu of taxes	938,761	-	938,761
Intergovernmental:			
Federal Restricted Grants-in-aid	-	1,823,795	1,823,795
State:			
Unrestricted Grants-in-aid	12,983,985	793,869	13,777,854
Restricted Grants-in-aid	-	941,910	941,910
Investment income	179,939	3,326	183,265
Charges for services	-	3,315,799	3,315,799
Co-curricular activities	263,177	1,302,843	1,566,020
Tuition fees	352,788	-	352,788
Other	594,658	418,198	1,012,856
<b>TOTAL REVENUES</b>	<b>77,295,345</b>	<b>14,063,651</b>	<b>91,358,996</b>
<b>EXPENDITURES:</b>			
Current:			
Instructional services:			
Regular	40,752,284	761,672	41,513,956
Special	8,610,354	798,839	9,409,193
Vocational	85,864	-	85,864
Continuing	-	-	-
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>49,448,502</b>	<b>1,560,511</b>	<b>51,009,013</b>
Support services:			
Operation and maintenance of plant	7,171,947	53,855	7,225,802
School administration	4,345,628	439,900	4,785,528
Pupils	4,530,797	222,575	4,753,372
Fiscal	1,464,855	61,122	1,525,977
Business operations	623,809	100	623,909
Instructional staff	6,270,945	235,849	6,506,794
Student transportation	1,663,415	165,766	1,829,181
Central services	1,912,796	168,677	2,081,473
General administrator	46,605	-	46,605
<b>TOTAL SUPPORT SERVICES</b>	<b>28,030,797</b>	<b>1,347,844</b>	<b>29,378,641</b>
Co-curricular student activities	1,372,997	1,329,553	2,702,550
Community services	4,293	2,959,731	2,964,024
Food service	-	1,384,750	1,384,750
Capital outlay	10,000	1,564,388	1,574,388
Debt service:			
Principal retirement	-	1,980,000	1,980,000
Interest	-	1,084,424	1,084,424
<b>TOTAL EXPENDITURES</b>	<b>78,866,589</b>	<b>13,211,201</b>	<b>92,077,790</b>
Excess (deficiency) of revenues over expenditures	(1,571,244)	852,450	(718,794)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	222,330	222,330
Transfers out	(222,330)	-	(222,330)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(222,330)</b>	<b>222,330</b>	<b>-</b>
Change in Net Assets	(1,793,574)	1,074,780	(718,794)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>52,977,246</b>	<b>7,778,726</b>	<b>60,755,972</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 51,183,672</b>	<b>\$ 8,853,506</b>	<b>\$ 60,037,178</b>

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, 2012**

**Net Changes in Fund Balances - Total Governmental Funds** **\$ (718,794)**

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	\$ 1,284,590	
Depreciation	<u>(2,198,955)</u>	(914,365)

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

Capital asset disposals	(319,685)	
Disposal depreciation	<u>288,265</u>	(31,420)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 474,205

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. 1,980,000

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	(333,540)
Accretion	(287,831)
Amortization, net	(3,925)
Interest expense	1,199

**Change in Net Assets of Governmental Activities** **\$ 165,529**

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, 2012

	<u>AGENCY FUND</u>
<b>ASSETS:</b>	
Equity in pooled cash and investments	\$222,711
Accounts receivable	3,432
<b>TOTAL ASSETS</b>	<u><u>\$226,143</u></u>
<b>LIABILITIES:</b>	
Accounts payable	\$3,246
Due to other governments	12
Due to:	
Student Activities	221,625
Others	1,260
<b>TOTAL LIABILITIES</b>	<u><u>\$226,143</u></u>

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, 2012**

**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 795 employees. Our student population is 5,294 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 2011-12 was 517 students. The School has ceased operations as of June 30, 2012.

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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 one agency fund. This includes an agency fund to account for student managed activity programs. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

*(F) Budgetary Process (Continued)*

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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 2012, 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, 2012.

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 2012 amounted to \$179,939, which includes \$24,666 assigned from other funds.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

(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.

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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, 2012, 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, and 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 \$9,109,106 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for 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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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, 2012, the District had no events which qualified as an extraordinary or special item.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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 2012, the District has implemented GASB Statement No. 57 "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53".

GASB Statement No. 57 "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" addresses the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of GASB Statement No. 57 did not have a significant effect on the financial statements of the District.

GASB Statement No. 64 "Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53" clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**4. Deposits and Investments (Continued)**

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

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

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

Interim monies may be invested in the following obligations:

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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**4. Deposits and Investments (Continued)**

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2012, the District and public depositories complied with the provisions of these statutes.

At year-end, the carrying amount of all District deposits was \$19,775,720, exclusive of \$13,100 in cash on hand. The combined bank balance was \$19,756,028 of which \$13,528,187 was covered by FDIC insurance and \$6,227,841 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, 2012, the District had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 98,356	56
Commercial Paper	4,998,042	Less than six months
FFCB	2,500,000	13 to 18 months
Repurchase Agreement*	<u>16,249,179</u>	Less than 1 year
Total Investments	<u>\$23,845,577</u>	

\* Underlying securities are guaranteed by the US government.

Interest Rate Risk

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**4. Deposits and Investments (Continued)**

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.

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, 68.1% are included in the repurchase agreement, 20.9% are included in commercial paper, 10.4% are included in the FFCB while less than 1.0% is in STAROhio.

**5. Receivables**

Receivables at June 30, 2012, consist of the following:

Governmental activities:	Taxes	PILOT's	Interest	Other	Totals
General	\$ 61,266,000	\$ 774,361	\$ 47,915	\$ 9,282	\$ 62,097,558
Other governmental funds	5,612,000	-	-	19,856	5,631,856
<b>Total Governmental Activities</b>	<b>\$ 66,878,000</b>	<b>\$ 774,361</b>	<b>\$ 47,915</b>	<b>\$ 29,138</b>	<b>\$ 67,729,414</b>

**6. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2012, follows:

	Balance June 30, 2011	Additions	Disposals	Transfers	Balance June 30, 2012
<u>Governmental Activities Cost</u>					
Land (not being depreciated)	\$ 244,883	\$ -	\$ -	\$ -	\$ 244,883
Construction in progress	195,200	-	-	(195,200)	-
Land improvements	2,546,265	-	-	-	2,546,265
Building and improvements	81,168,581	793,895	-	195,200	82,157,676
Furniture, fixtures and equipment	5,685,438	328,429	146,459	-	5,867,408
Vehicles	2,415,137	162,266	173,226	-	2,404,177
<b>Total at cost</b>	<b>92,255,504</b>	<b>1,284,590</b>	<b>319,685</b>	<b>-</b>	<b>93,220,409</b>
<u>Less accumulated depreciation</u>					
Land improvements	1,587,988	98,123	-	-	1,686,111
Building and improvements	32,971,408	1,681,238	-	-	34,652,646
Furniture, fixtures and equipment	4,510,394	272,715	115,039	-	4,668,070
Vehicles	1,270,119	146,879	173,226	-	1,243,772
<b>Total accumulated depreciation</b>	<b>40,339,909</b>	<b>2,198,955</b>	<b>288,265</b>	<b>-</b>	<b>42,250,599</b>
<b>Capital assets, net</b>	<b>\$ 51,915,595</b>	<b>\$ (914,365)</b>	<b>\$ 31,420</b>	<b>\$ -</b>	<b>\$ 50,969,810</b>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**6. Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$1,702,989
Special	32,837
Support services:	
Pupils	106,415
Instructional staff	4,546
Administration	28,582
Operation and maintenance of plant	69,952
Student transportation	122,519
Extra-curricular activities	120,816
Community Service	520
Food service operations	<u>9,779</u>
Total depreciation expense	<u><u>\$2,198,955</u></u>

**7. Long-Term Obligations**

A summary for changes in long-term obligations for the year ended June 30, 2012, follows:

		7/1/2011			6/30/2012	Due within
Debt Issuance	Issued	Balance	Additions	Deletions	Balance	1 yr
1996 Building Improvement Bonds	1997	\$ 174,366	-	\$ (91,226)	\$ 83,140	\$ 83,140
1996 Bonds Interest Accretion	1997	3,346,861	137,658	(1,738,774)	1,745,745	1,745,745
General Obligation Bonds Payable		<u>3,521,227</u>	<u>137,658</u>	<u>(1,830,000)</u>	<u>1,828,885</u>	<u>1,828,885</u>
2005 Refunding Issue Bonds	2005	24,455,000	-	(150,000)	24,305,000	155,000
Premium on Refunding Bonds	2005	1,269,612	-	(115,420)	1,154,192	115,420
Deferred Amount on Refunding	2005	(1,124,420)	-	102,220	(1,022,200)	(102,220)
2005 Bonds Interest Accretion	2005	948,929	150,173	-	1,099,102	-
Refunding Bonds Payable		<u>25,549,121</u>	<u>150,173</u>	<u>(163,200)</u>	<u>25,536,094</u>	<u>168,200</u>
Net bonds outstanding		29,070,348	287,831	(1,993,200)	27,364,979	1,997,085
Compensated Absences	N/A	6,242,107	388,840	(55,300)	6,575,647	431,407
Total Long-Term Obligations		<u>\$ 35,312,455</u>	<u>\$ 676,671</u>	<u>\$ (2,048,500)</u>	<u>\$ 33,940,626</u>	<u>\$ 2,428,492</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**7. Long-Term Obligations (Continued)**

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

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

The annual maturities of the general obligation bonds (at par) as of June 30, 2012, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2013	3.0 - 5.25	238,140	2,858,669
2014	3.0 - 5.25	1,402,504	1,741,508
2015	2.75 - 5.25	1,367,496	1,806,514
2016	2.75 - 5.25	2,150,000	1,069,000
2017	2.75 - 5.25	2,300,000	961,500
2018 - 2022	5.0 - 5.25	14,025,000	2,919,000
2023	5.0 - 5.25	2,905,000	145,250
<b>Total</b>		<u>\$ 24,388,140</u>	<u>\$ 11,501,441</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, 2012 the District's total net debt was 1.39% 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, 2012.

**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 matured on June 21, 2012.

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

<u>Outstanding July 1, 2011</u>	<u>Issued 2012</u>	<u>Retired 2012</u>	<u>Outstanding June 30, 2012</u>
\$ 722,000	\$ -	\$ 722,000	\$ -

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**10. Defined Benefit Pension Plans**

School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling 614-222-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. 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 the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust, Death Benefit, Medicare B, and Health Care funds) of the system. For fiscal year ending June 30, 2012, it was determined the employer contribution rate to pension and death benefits to be 12.70%, with the remaining 1.30% of the 14% employer contribution rate allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,451,961, \$1,428,021, and \$1,366,593, respectively; 97.2% has been contributed for fiscal years 2012, and 100% for fiscal year 2011 and 2010.

State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**10. Defined Benefit Pension Plans (Continued)**

State Teachers Retirement System (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,828,724, \$5,860,956, and \$5,826,576, respectively; 84.7% has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2012, three members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. Post employment Benefits Other than Pension Benefits**

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS's reimbursement to retirees was \$45.50. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**11. Post employment Benefits Other than Pension Benefits (Continued)**

Funding Policy – State statute permits SERS to offer health care benefits to eligible retirees and beneficiaries and to fund them through employer contributions. Active employee members do not contribute to the Health

School Employees Retirement System (continued)

Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund and Medicare B Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined 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 surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care fund.

The School District's contributions for health care for the fiscal years ended June 30, 2012 2011, and 2010 were \$57,041, \$46,921, and \$44,902, respectively; 97.2% has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The unfunded portion has been recorded as a liability and will be paid in fiscal year 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$77,784, \$77,521, and \$74,186, respectively; 97.2% has been contributed fiscal year 2012, and 100% for fiscal year 2011 and 2010.

State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a monthly premium. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy –Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011 (latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$416,337, \$418,640, and \$416,184, respectively; 84.7% has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected in 2012 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.

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, 2011, are available to finance fiscal year 2012 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, 2012 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**13. Property Taxes (Continued)**

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 2012 taxes were collected are:

Real Estate	\$ 1,572,967,040
Public Utility	14,828,380
Total	<u>\$ 1,587,795,420</u>

**14. Contingent Liabilities**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**15. Set-Aside Calculations (Continued)**

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

	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserve</u>	
Set-aside cash balance as of June 30, 2010	\$ -	\$ 1,165,304	
Current year set-aside requirement	909,132	-	
Current year offsets	(2,758,495)	-	
Qualifying disbursements	<u>(185,315)</u>	<u>-</u>	
Total	<u>\$ (2,034,678)</u>	<u>\$ 1,165,304</u>	
Balance carried forward to FY 2012	<u>\$ -</u>	<u>\$ 1,165,304</u>	

The District 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 2012 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 risks have not exceeded commercial insurance coverage in any of the past three years.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**17. Interfund Transactions**

A. Interfund balances at June 30, 2012 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	\$ 58,000
General Fund	Technology Grant – Special Revenue	\$ 15,679
General Fund	Special Education Grant – Special Revenue	\$ 8,948
General Fund	Targeted Assistance Grant – Special Revenue	\$ 1,168

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, 2012 are reported on the Statement of Net Assets.

B. Interfund transfers for the year ended June 30, 2012, consisted of the following transfers from the General fund to other governmental Special Revenue funds:

District Managed Student Activities Fund	\$ 73,079
Food Service Fund	139,000
Summer Academy Fund	10,251
	<u>\$ 222,330</u>

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

**18. Subsequent Events**

In June 2012 the District held an auction to sell a 1.56 acre property which is currently being utilized for maintenance operations. The real estate closing of this transaction will occur in March 2013 for a price of \$1,408,000. The initial escrow deposit received by the District is recorded as deferred revenue in the 2012 financial statements.

The District is in contract to purchase a 6.186 acre property for \$1,230,000 which will be utilized to house its maintenance operations. This purchase transaction will also close in March 2013.

In July of 2012, the District issued House Bill 264 Energy Conservation Notes in the amount of \$1,973,000. The notes have a fixed interest rate of 1.35 percent and a maturity date not to exceed five years. The proceeds will be used to fund energy efficiency improvements to its facilities with the cost savings used to pay for the improvements.

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**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 60,698,000	\$ 54,023,000	\$54,010,698	\$ (12,302)
Intergovernmental	11,975,941	12,982,529	12,983,985	1,456
Interest	275,000	205,000	203,236	(1,764)
Tuition and Fees	80,000	60,000	59,548	(452)
Rent	135,000	171,000	201,298	30,298
Extracurricular Activities	150,000	150,000	146,048	(3,952)
Gifts and Donations	50,000	50,000	86,933	36,933
Miscellaneous	222,000	252,000	313,165	61,165
<b>Total Revenues</b>	<u>\$ 73,585,941</u>	<u>\$ 67,893,529</u>	<u>\$68,004,911</u>	<u>\$ 111,382</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	\$ 40,907,454	\$ 40,612,863	\$40,534,774	\$ 78,089
Special	7,060,651	7,244,877	7,211,009	33,868
Vocational	150,300	89,563	85,355	4,208
Student Intervention Services	1,162,283	1,164,419	1,160,272	4,147
<b>Support Services:</b>				
Pupils	5,176,720	4,599,405	4,581,143	18,262
Instructional Staff	6,373,780	6,498,949	6,308,499	190,450
Board of Education	51,683	49,386	47,958	1,428
Administration	4,637,800	4,560,591	4,504,076	56,515
Fiscal	1,841,000	1,508,626	1,485,898	22,728
Business	703,101	673,440	669,348	4,092
Operation and Maintenance of Plant	7,155,073	7,319,733	7,319,261	472
Pupil Transportation	1,839,318	1,695,911	1,684,489	11,422
Central	2,333,054	2,119,484	2,024,661	94,823
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	-	4,100	4,039	61
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	244,427	222,259	210,993	11,266
Sport Oriented Activities	1,034,260	1,000,844	962,617	38,227
School and Public Service Co-Curricular Activities	48,805	58,502	58,478	24
<b>Capital Outlay:</b>				
Site Acquisition Services	-	10,000	10,000	-
<b>Total Expenditures</b>	<u>\$ 80,719,709</u>	<u>\$ 79,432,952</u>	<u>\$78,862,870</u>	<u>\$ 570,082</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(7,133,768)</u>	<u>(11,539,423)</u>	<u>(10,857,959)</u>	<u>681,464</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Advances In	50,000	89,000	89,320	320
Proceeds from Sale of Capital Assets	-	-	1,101	1,101
Refund of Prior Year Expenditures	35,000	35,000	27,944	(7,056)
Transfers Out	(140,000)	(235,000)	(231,801)	3,199
Advances Out	(50,000)	(115,000)	(114,795)	205
Refund of Prior Year Receipts	(50,000)	(18,000)	(17,206)	794
Other Uses of Funds	(2,540)	-	-	-
<b>Total Other Financing Sources and Uses</b>	<u>\$ (157,540)</u>	<u>\$ (244,000)</u>	<u>\$ (245,437)</u>	<u>\$ (1,437)</u>
<b>Net Change in Fund Balances</b>	(7,291,308)	(11,783,423)	(11,103,396)	680,027
<b>Fund Balance (Deficit) at Beginning of Year</b>	43,994,565	43,994,565	43,994,565	-
<b>Prior Year Encumbrances Appropriated</b>	1,079,245	1,079,245	1,079,245	-
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 37,782,502</u>	<u>\$ 33,290,387</u>	<u>\$33,970,414</u>	<u>\$ 680,027</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 2012 permanent appropriation measure at its September 13, 2011 regular meeting. The Board of Education adopted at the June 29, 2011 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 restricted, committed, or assigned fund balance (GAAP basis).

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

**B. Reconciling Budgetary Basis and GAAP (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	\$ (1,793,574)
<b>Adjustments:</b>	
Due to revenues	(8,848,208)
Due to expenditures	(439,096)
Due to other financing sources	(13,636)
Funds budgeted as Special Revenue Funds	(8,882)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u><u>\$ (11,103,396)</u></u>

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UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Non-Cash Assistance (Food Donation) National School Lunch Program	N/A	10.555	\$ -	\$ 31,843	\$ -	\$ 31,843
Cash Assistance: National School Lunch Program	044933-LLP4-2011/2012	10.555	49,961	-	49,961	-
Total Nutrition Cluster			49,961	31,843	49,961	31,843
Total U.S. Department of Agriculture			49,961	31,843	49,961	31,843
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Cluster						
Title I Grants to Local Educational Agencies	044933-C1S1-2011/2012	84.010	211,225		213,493	
ARRA - Title I Grants to Local Educational Agencies	N/A	84.389	32,587	-	35,330	-
Total Title I Cluster			243,812	-	248,823	-
Special Education Cluster:						
Special Education Grants to States	044933-6BSF-2011/2012	84.027	1,228,183		1,240,856	
Special Education Preschool Grants	044933-PGS1-2011/2012	84.173	17,207		17,207	
ARRA - Special Education Grants to States	N/A	84.391	84,044	-	80,921	-
Total Special Education Cluster			1,329,434	-	1,338,984	-
Race to the Top Incentive Grants	N/A	84.395	10,124	-	8,654	-
Education Technology State Grants	044933-TJS1-2012	84.318	2,213	-	2,193	-
English Language Acquisition Grants - Limited English Proficient	044933-T3S1-2011/2012	84.365	19,808		20,325	
Improving Teacher Quality State Grants	044933-TRS1-2011/2012	84.367	124,407	-	116,545	-
Learn and Serve America	044933-SVS1-2011/2012	94.004	1,723	-	-	-
Total U.S. Department of Education			1,731,521	-	1,735,524	-
<b>Total Federal Awards</b>			<b>\$ 1,781,482</b>	<b>\$ 31,843</b>	<b>\$ 1,785,485</b>	<b>\$ 31,843</b>

The accompanying notes are an integral part of this schedule.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Upper Arlington City School District's (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 2011 and 2012 programs:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Transferred between 2011 to 2012</u>
English Language Acquisition Grants-LEP	84.365	\$ 1,349
Title I Grants to Local Educational Agencies	84.010	1,688
Improving Teacher Quality State Grants	84.367	6,091
IDEA-B Special Education Grants to States	84.027	20,823



# 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2012, wherein we noted the operations of the discretely presented component unit, Wickliffe Progressive Community School, have ceased as of June 30, 2012. 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 November 7, 2012.

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.

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

**Dave Yost**  
Auditor of State

November 7, 2012



# 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 each of the Upper Arlington City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. 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 opine 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 \$193,300 in federal awards which is not included in the District's Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2012. Our audit of Federal awards, described below, did not include the operations of Wickliffe Progressive Community School because the component unit is legally separate from the primary government, which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended June 30, 2012, it was not subject to OMB Circular A-133 audit requirements.

Our compliance audit followed 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*. These 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 these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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 opining 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 would not necessarily 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.

We intend this report solely for the information and use of the audit committee, management, the 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

November 7, 2012

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<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  <u>Title I</u> Title I Grants to Local Educational Agencies #84.010 ARRA – Title I Grants to Local Educational Agencies #84.389
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(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**

None

UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
*OMB CIRCULAR A -133 § .315 (b)*  
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2011-001	State Fiscal Stabilization Fund - Allowable Costs / Cost Principles Questioned Cost - for audit cost charged from grant funds	Yes	

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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 29, 2012