



Dave Yost • Auditor of State



**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and the required budgetary comparison schedule* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 28, 2013

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**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013.

**Financial Highlights**

The District's net position was \$80,476,595 as of June 30, 2013 according to the Statement of Net Position. This represents an increase of \$410,419 or 0.5% from last year.

In November 2013 the District is on the ballot for a new continuing operating levy of 4.0 mills. This levy would generate approximately \$6.3 million annually. 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 mills for operating and 2.0 mills 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 \$48,113,951. However, included within this balance is approximately \$25.1 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 Position 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 Position 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 position and changes in them. The change in net position 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, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013, 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 Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Fund*

The District's only Fiduciary Fund is the Student Managed Activities Fund. The District's fiduciary activities are reported in the Statement of Fiduciary Net Position, 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 position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets (including deferred outflows) exceeded liabilities (including deferred inflows) by \$80,476,595 according to the Statement of Net Position at the close of the most recent fiscal year.

One of the largest portions of the District's net position (33.6%) reflects its net investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's net 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 2013 to 2012 follows from the Statements of Net Position:

	Governmental Activities	
	2013	2012
Current assets	\$ 109,426,118	\$ 111,969,630
Capital assets	53,139,862	50,969,810
Total assets	<u>162,565,980</u>	<u>162,939,440</u>
Deferred outflows	<u>2,188,963</u>	<u>1,022,200</u>
Current liabilities	10,984,703	11,552,288
Long-term liabilities	<u>36,004,521</u>	<u>34,962,826</u>
Total liabilities	<u>46,989,224</u>	<u>46,515,114</u>
Deferred inflows	<u>37,289,124</u>	<u>37,380,350</u>
Net Position:		
Net investment in capital assets	27,077,230	25,778,423
Restricted	10,818,508	9,109,106
Unrestricted	<u>42,580,857</u>	<u>45,178,647</u>
Total net assets	<u>\$ 80,476,595</u>	<u>\$ 80,066,176</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013, CONTINUED  
(UNAUDITED)**

A portion of the District's net position (13.4%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing activities.

**Changes in Net Position**  
Governmental Activities

<b>Program revenues:</b>	<u>2013</u>	<u>2012</u>
Charges for services and sales	\$ 5,886,717	\$ 5,552,243
Operating grants and contributions	2,689,756	2,583,111
<b>General revenues:</b>		
Property taxes	66,196,538	68,228,542
Payment in lieu of taxes (PILOT)	1,510,212	938,761
Grants and entitlements	13,235,851	13,652,059
Investment earnings	133,802	182,817
Miscellaneous	<u>1,787,498</u>	<u>695,668</u>
Total revenues	<u>91,440,374</u>	<u>91,833,201</u>
<b>Program expenses:</b>		
Instructional	54,427,510	53,226,168
Support services	28,071,295	29,876,897
Extracurricular student activities	2,966,647	2,824,387
Food services	1,418,278	1,387,469
Community services	3,142,239	2,977,770
Interest on long-term debt	<u>1,003,986</u>	<u>1,357,856</u>
Total expenses	<u>91,029,955</u>	<u>91,650,547</u>
Change in net position	410,419	182,654
<b>Net position at the beginning of the year, as restated</b>	<u>80,066,176</u>	<u>79,883,522</u>
<b>Net position at end of year</b>	<u>\$ 80,476,595</u>	<u>\$ 80,066,176</u>

*Governmental Activities*

In 2013, net position of the District's governmental activities increased by \$410,419. 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, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013, CONTINUED  
(UNAUDITED)**

Programs	2013		2012	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	\$ 54,427,520	\$ 52,571,553	\$ 53,226,168	\$ 51,843,477
Support services	28,071,285	27,237,892	29,876,897	29,100,522
Extracurricular student activities	2,966,647	1,545,193	2,824,387	1,186,508
Food service operations	1,418,278	106,922	1,387,469	105,969
Community services	3,142,239	(12,064)	2,977,770	(79,189)
Interest on long-term debt	1,003,986	1,003,986	1,357,856	1,357,856
Total	<u>\$ 91,029,955</u>	<u>\$ 82,453,482</u>	<u>\$ 91,650,547</u>	<u>\$ 83,532,268</u>

Local property taxes and related PILOT revenues make up 74.0% of total revenues for governmental activities. The net cost of service column reflects the need for \$82,453,482 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 \$58,770,177, which represents a decrease of \$1,267,001 as compared to last year's total of \$60,037,178 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, 2013 to 2012.

	Fund Balance at June 30, 2013	Fund Balance at June 30, 2012	Increase (Decrease)
General Fund	\$ 48,113,951	\$ 51,183,672	\$ (3,069,721)
Other Governmental Funds	10,656,226	8,853,506	1,802,720
Total	<u>\$ 58,770,177</u>	<u>\$ 60,037,178</u>	<u>\$ (1,267,001)</u>

*General Fund*

The District's General Fund balance decreased as a result of decreasing revenue support from intergovernmental sources, due to the end of ARRA funding, while instructional service expenditures increased as a result of the addition of students from the closed Wickliffe Progressive Community Schools.

*Other Governmental Funds*

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$1,802,720. The increase is primarily related to the receipt of permanent improvement monies as a result of proceeds from the sale of capital assets.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013, CONTINUED  
(UNAUDITED)**

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

**Revenues**

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Property taxes	\$ 61,401,672	\$ 61,982,037	-0.94%
Payments in lieu of taxes	1,510,212	938,761	60.87%
Intergovernmental	12,507,305	12,983,985	-3.67%
Investment income	128,656	179,939	-28.50%
Other revenue	1,760,859	1,210,623	45.45%
Total	<u>\$ 77,308,704</u>	<u>\$ 77,295,345</u>	0.02%

In total, overall revenues showed a small increase resulting from other revenue and PILOTs combined, offset by the continuing decrease of revenue support from intergovernmental sources.

As the table below indicates, the largest portion of General Fund expenditures at 64.3% is for instructional services.

**Expenditures by Function**

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Instructional services	\$ 51,280,416	\$ 49,448,502	3.70%
Support services	27,036,223	28,030,797	-3.55%
Co-curricular student activities	1,385,536	1,372,997	0.91%
Community Services	-	4,293	100.00%
Capital outlay	-	10,000	100.00%
Total	<u>\$ 79,702,175</u>	<u>\$ 78,866,589</u>	1.06%

Total General Fund expenditures increased 1.06% 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 2013, the District amended its General Fund budget numerous times. For the General Fund, final budgeted revenues (certified revenues plus other financing sources) of \$76,336,621 were \$5,762,129 lower than the original budgeted revenues estimate of \$82,098,750. The actual budget basis revenues and other financing sources for fiscal year 2013 totaled \$76,339,969, which was \$3,348 higher than the final budget revenues.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013, CONTINUED  
(UNAUDITED)**

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$83,316,382 were decreased to \$82,586,069 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$82,427,579, which was \$158,490 less than the final budget appropriations.

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

- Revenues  
The variance in property taxes related to the original budget, final budget and actual amounts is due to timing of payments from the County, as well as an increase in miscellaneous revenues.
- Expenditures  
Overall, the variance between actual expenditures and the final budget was less than 0.2% 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, 2013 the District has \$53,139,862 in capital assets net of accumulated depreciation. The following table shows fiscal year 2013 and 2012 balances:

	Governmental Activities		Increase (Decrease)
	2013	2012	
Land	\$ 629,783	\$ 244,883	\$ 384,900
Construction in progress	2,031,223	0	2,031,223
Land improvements	2,812,883	2,546,265	266,618
Building and improvements	82,871,054	82,157,676	713,378
Furniture, fixtures and equipment	6,400,505	5,867,408	533,097
Vehicles	2,539,096	2,404,177	134,919
Less: Accumulated depreciation	(44,144,682)	(42,250,599)	(1,894,083)
Totals	<u>\$ 53,139,862</u>	<u>\$ 50,969,810</u>	<u>2,170,052</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013, CONTINUED  
(UNAUDITED)**

**Debt**

On June 30, 2013, the District had \$29,507,377 in long-term bonds and notes outstanding. The District paid \$2,414,309 in principal on bonds outstanding.

On May 14, 2013 the District issued \$19,220,000 in taxable refunding bonds to refund portions of the 2005 refunding bonds. Bond premium and deferred amount on refunding of \$2,527,916 and \$2,188,963, respectively, has been recorded on the Statement of Net Position, net of related amortization, as long-term liabilities and deferred outflows, respectively. This transaction resulted in a cash flow savings of \$1,946,304 and an economic gain (present value gain) of \$1,723,127.

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. The notes mature on June 1, 2017.

Detailed information regarding long-term debt is included in the notes to the basic financial statements (See Note 7).

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, 2013, the District's general obligation debt was below the legal limit.

**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, OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	GOVERNMENTAL ACTIVITIES
<b>ASSETS:</b>	
Equity in pooled cash & investments	\$ 40,939,642
Receivables	67,789,597
Due from other:	
Governments	587,653
Inventory	109,226
Land and Construction in Progress	2,661,006
Depreciable capital assets, net of accumulated depreciation	50,478,856
<b>TOTAL ASSETS</b>	<b>162,565,980</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,188,963</b>
<b>LIABILITIES:</b>	
Accounts payable	1,677,606
Due to other governments	1,683,280
Accrued interest payable	65,758
Accrued wages and benefits	6,627,886
Matured compensated absences	930,173
Long-term Liabilities:	
Due within one year	3,288,701
Due in more than one year	32,715,820
<b>TOTAL LIABILITIES</b>	<b>46,989,224</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>37,289,124</b>
<b>NET POSITION</b>	
Net investment in capital assets	27,077,230
Restricted for:	
Debt Service	3,845,588
Capital Outlay	4,407,404
Non-Public Schools	20,032
Special Education	250,330
Community Services	1,429,271
Student Activities	574,782
Other Purposes	291,101
Unrestricted	42,580,857
<b>TOTAL NET POSITION</b>	<b>\$ 80,476,595</b>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Instructional services:				
Regular	\$ 43,810,916	\$ 887,536	\$ 30,618	\$ (42,892,762)
Special	10,560,928	137,492	800,311	(9,623,125)
Vocational	55,666	-	-	(55,666)
Support services:				
Operation and maintenance of plant	6,914,143	7,900	12,609	(6,893,634)
School Administration	5,084,136	-	374,113	(4,710,023)
Pupils	5,593,739	13,037	209,732	(5,370,970)
Fiscal	1,889,364	-	-	(1,889,364)
Business Operations	682,321	-	-	(682,321)
Instructional staff	5,131,532	1,992	168,374	(4,961,166)
Student transportation	1,756,688	-	29,446	(1,727,242)
Central services	990,525	-	16,200	(974,325)
General Administration	28,847	-	-	(28,847)
Extracurricular student activities	2,966,647	1,421,454	-	(1,545,193)
Food Service operations	1,418,278	1,232,290	79,066	(106,922)
Community services	3,142,239	2,185,016	969,287	12,064
Interest on long-term debt	1,003,986	-	-	(1,003,986)
<b>Total Governmental Activities</b>	<b>\$ 91,029,955</b>	<b>\$ 5,886,717</b>	<b>\$ 2,689,756</b>	<b>\$ (82,453,482)</b>
General revenues:				
Property taxes				66,196,538
Payment in lieu of taxes				1,510,212
Grants and entitlements not restricted to specific programs				13,235,851
Investment earnings				133,802
Miscellaneous				1,787,498
<b>Total general revenues</b>				<b>82,863,901</b>
Change in Net Position				410,419
Net Position Beginning of Year, as restated				80,066,176
Net Position End of Year				<b>\$ 80,476,595</b>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS :</b>			
Equity in pooled cash and investments	\$ 31,570,470	\$ 9,369,172	\$ 40,939,642
Receivables	62,374,361	5,415,236	67,789,597
Due from other:			
Governments	151,606	436,047	587,653
Funds	22,495	-	22,495
Interfund receivable	1,401	-	1,401
Inventory	94,966	14,260	109,226
<b>TOTAL ASSETS</b>	<b>\$ 94,215,299</b>	<b>\$ 15,234,715</b>	<b>\$ 109,450,014</b>
<b>LIABILITIES:</b>			
Accounts payable	806,823	870,783	1,677,606
Due to other:			
Governments	1,593,857	89,423	1,683,280
Funds	-	22,495	22,495
Interfund payable	-	1,401	1,401
Accrued wages and benefits	6,381,051	246,835	6,627,886
Matured compensated absences	930,173	-	930,173
<b>TOTAL LIABILITIES</b>	<b>9,711,904</b>	<b>1,230,937</b>	<b>10,942,841</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>36,389,444</b>	<b>3,347,552</b>	<b>39,736,996</b>
<b>FUND BALANCES:</b>			
Nonspendable -			
Inventories	94,966	14,260	109,226
Restricted for:			
Debt Service	-	3,819,306	3,819,306
Capital Outlay	-	4,314,291	4,314,291
Non-Public Schools	-	55,952	55,952
Special Education	-	44,078	44,078
Community Activities	-	1,518,296	1,518,296
Student Activities	-	574,782	574,782
Other Purposes	-	367,187	367,187
Committed			
Workers compensation	344,555	-	344,555
Assigned	742,771		742,771
Unassigned	46,931,659	(51,926)	46,879,733
<b>TOTAL FUND BALANCES</b>	<b>48,113,951</b>	<b>10,656,226</b>	<b>58,770,177</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 94,215,299</b>	<b>\$ 15,234,715</b>	<b>\$ 109,450,014</b>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013**

<b>Total Governmental Fund Balances</b>	<b>\$ 58,770,177</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	53,139,862
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,447,872
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	(65,758)
Compensated absences	(6,497,144)
Bonds and notes payable	(25,723,679)
Premium on bonds, net	(2,527,916)
Accretion bonds, net	(1,255,782)
Deferred amounts on refundings, net	2,188,963
<b>Net Position of Governmental Activities</b>	<b>\$ 80,476,595</b>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES:</b>			
Property taxes	\$ 61,401,672	\$ 5,407,256	\$ 66,808,928
Payments in lieu of taxes	1,510,212	-	1,510,212
Intergovernmental:			
Federal Restricted Grants-in-aid	-	1,691,298	1,691,298
State:			
Unrestricted Grants-in-aid	12,507,305	785,158	13,292,463
Restricted Grants-in-aid	-	979,314	979,314
Investment income	128,656	6,032	134,688
Charges for services	277,784	3,415,690	3,693,474
Co-curricular activities	167,268	1,231,974	1,399,242
Tuition fees	353,147	-	353,147
Other	962,660	395,645	1,358,305
<b>TOTAL REVENUES</b>	<u>77,308,704</u>	<u>13,912,367</u>	<u>91,221,071</u>
<b>EXPENDITURES:</b>			
Current:			
Instructional services:			
Regular	41,492,418	512,798	42,005,216
Special	9,732,332	866,691	10,599,023
Vocational	55,666	-	55,666
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<u>51,280,416</u>	<u>1,379,489</u>	<u>52,659,905</u>
Support services:			
Operation and maintenance of plant	6,759,641	27,915	6,787,556
School administration	4,816,816	381,150	5,197,966
Pupils	5,259,212	228,821	5,488,033
Fiscal	1,805,595	85,602	1,891,197
Business operations	686,225	264	686,489
Instructional staff	4,928,588	199,129	5,127,717
Student transportation	1,692,039	248,067	1,940,106
Central services	1,059,260	44,079	1,103,339
General administration	28,847	-	28,847
<b>TOTAL SUPPORT SERVICES</b>	<u>27,036,223</u>	<u>1,215,027</u>	<u>28,251,250</u>
Co-curricular student activities	1,385,536	1,422,726	2,808,262
Community services	-	3,273,337	3,273,337
Food service	-	1,403,372	1,403,372
Capital outlay	-	4,338,165	4,338,165
Debt service:			
Principal retirement	-	2,414,309	2,414,309
Interest	-	851,335	851,335
<b>TOTAL EXPENDITURES</b>	<u>79,702,175</u>	<u>16,297,760</u>	<u>95,999,935</u>
Deficiency of revenues over expenditures	(2,393,471)	(2,385,393)	(4,778,864)
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of assets	-	1,329,814	1,329,814
Proceeds from sale of long-term notes	-	1,973,000	1,973,000
Premium on issuance of refunding bonds	-	2,527,916	2,527,916
Issuance of refunding bonds	-	19,220,000	19,220,000
Payment to refunded bond escrow agent	-	(21,538,867)	(21,538,867)
Transfers in	-	676,250	676,250
Transfers out	(676,250)	-	(676,250)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(676,250)</u>	<u>4,188,113</u>	<u>3,511,863</u>
Change in Fund Balances	(3,069,721)	1,802,720	(1,267,001)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>51,183,672</u>	<u>8,853,506</u>	<u>60,037,178</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 48,113,951</u>	<u>\$ 10,656,226</u>	<u>\$ 58,770,177</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
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, 2013**

**Net Changes in Fund Balances - Total Governmental Funds** \$ (1,267,001)

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	\$ 4,902,527		
Depreciation	<u>(2,269,533)</u>		2,632,994

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

Capital asset disposals	(838,392)		
Disposal depreciation	<u>375,450</u>		(462,942)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenue in the funds. (650,744)

Repayment of principal on debt obligations is an expenditure in governmental funds,  
but the repayment reduces long-term liabilities in the Statement of Net Position  
and does not result in an expense in the Statement of Activities. 2,414,309

The issuance of long term debt provides current financial resources to governmental  
funds, while it has no effect on the net position. (1,973,000)

Net refunding bond activity recognized at the fund level, is deferred  
on the Statement of Net Position (209,049)

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			78,503
Accretion			(197,795)
Amortization, net			12,100
Interest expense			33,044

**Change in Net Position of Governmental Activities** \$ 410,419

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2013**

	AGENCY FUND
<b>ASSETS:</b>	
Equity in pooled cash and investments	\$189,905
<b>TOTAL ASSETS</b>	<b>\$189,905</b>
 <b>LIABILITIES:</b>	
Accounts payable	\$4,725
Due to:	
Student Activities	185,111
Others	69
<b>TOTAL LIABILITIES</b>	<b>\$189,905</b>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 807 employees. Our student population is 5,630 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.

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.

Burbank Park

Burbank Park is an agreement between the City of Upper Arlington (City) and the District to provide recreational facilities at Burbank Park. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 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 Position 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 Position 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.

The Statement of Net Position 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

(C) *Fund Accounting (Continued)*

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the 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 fund is used 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 Position.

All governmental 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

*(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 inflows and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes (PILOTs), grants, entitlements, and donations. Revenue from property taxes and PILOTs are 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.

Deferred Inflows of Resources

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

Property taxes and PILOTs 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 inflows 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 inflows of the current fiscal period.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

*(E) Basis of Accounting (Continued)*

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.

*(F) Budgetary Process*

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

Tax Budget:

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

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

Estimated Resources:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

*(F) Budgetary Process (Continued)*

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.

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*

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2013. 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, 2013.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

*(G) Cash and Investments(Continued)*

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 2013 amounted to \$128,656, of which \$21,582 was assigned from other funds.

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.

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 Position 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

(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 Position.

(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.

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, 2013, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

*(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 Position*

Net position represents the difference between assets and liabilities. Net investment capital assets 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 position 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 Position reports \$10,818,508 of restricted net position, of which none is restricted by enabling legislation.

Net position 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 position is available.

*(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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

*(N) Fund Balances(Continued)*

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 position 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, 2013, the District had no events which qualified as an extraordinary or special item.

*(Q) Unamortized Bond Premium and Deferred Amounts on Refunding*

In the government-wide financial statements bond premiums and deferred amounts on refunding 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. Deferred amounts on refunding are recorded as deferred outflows 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

(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**

In June 2011, the GASB issued Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”* This Statement improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance that did not previously exist. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District adopted this Statement effective July 1, 2012. See note 18 for more information.

In March 2012, the GASB issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities.”* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District adopted this Statement effective July 1, 2012. See note 18 for more information.

In March 2012, the GASB issued Statement No. 66, *“Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.”* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District has not determined the effects, if any; GASB Statement No. 66 will have on its financial statements.

In June 2012, the GASB issued Statement No. 67, *“Financial reporting for Pension Plans—an amendment of GASB Statement No. 25.”* The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *“Financial Reporting for Defined Benefit Pension Disclosures,* “as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The District has not determined the effects, if any; GASB Statement No. 67 will have on its financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**3. Change in Accounting Principles (Continued)**

In June 2012, the GASB issued Statement No. 68, “*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. The District has not determined the effects, if any; GASB Statement No. 68 will have on its financial statements.

**4. Deposits and Investments**

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

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

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

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

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:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal governmental agencies or instrumentalities;

3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4) Bonds and other obligations of the State of Ohio;

5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; The State Treasurer's investment pool (STAR Ohio);

6) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;

7) Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched-to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 2013, the District and public depositories complied with the provisions of these statutes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

At year-end, the carrying amount of all District deposits was \$31,023,081, exclusive of \$13,100 in cash on hand. The combined bank balance was \$31,142,407 of which \$16,553,609 was covered by FDIC insurance and \$14,588,798 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, 2013, the District had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ 98,429	56
Commercial Paper	<u>9,994,937</u>	Less than six months
Total Investments	<u>\$10,093,366</u>	

Interest Rate Risk

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

Credit Risk

The District's investments in commercial paper listed above were rated P-1 and A-1+ 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, 99.0% are included in commercial paper, while 1.0% is in STAROhio.

**5. Receivables**

Receivables at June 30, 2013, consist of the following:

Governmental activities:	<u>Taxes</u>	<u>PILOT's</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
General	\$ 60,931,000	\$ 1,356,110	\$ 52,273	\$ 34,978	\$ 62,374,361
Other governmental funds	<u>5,372,000</u>	<u>-</u>	<u>174</u>	<u>43,062</u>	<u>5,415,236</u>
Total Governmental Activities	<u>\$ 66,303,000</u>	<u>\$ 1,356,110</u>	<u>\$ 52,447</u>	<u>\$ 78,040</u>	<u>\$ 67,789,597</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**6. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2013, follows:

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
<u>Governmental Activities Cost</u>				
Land (not being depreciated)	\$ 244,883	\$ 394,600	\$ 9,700	\$ 629,783
Construction in progress	-	2,031,223	-	2,031,223
Land improvements	2,546,265	266,618	-	2,812,883
Building and improvements	82,157,676	1,389,693	676,315	82,871,054
Furniture, fixtures and equipment	5,867,408	603,192	70,095	6,400,505
Vehicles	2,404,177	217,201	82,282	2,539,096
Total at cost	<u>93,220,409</u>	<u>4,902,527</u>	<u>838,392</u>	<u>97,284,544</u>
<u>Less accumulated depreciation</u>				
Land improvements	1,686,111	109,141	-	1,795,252
Building and improvements	34,652,646	1,706,861	233,329	36,126,178
Furniture, fixtures and equipment	4,668,070	285,728	59,839	4,893,959
Vehicles	1,243,772	167,803	82,282	1,329,293
Total accumulated depreciation	<u>42,250,599</u>	<u>2,269,533</u>	<u>375,450</u>	<u>44,144,682</u>
Capital assets, net	<u>\$ 50,969,810</u>	<u>\$ 2,632,994</u>	<u>\$ 462,942</u>	<u>\$ 53,139,862</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$1,690,049
Special	32,659
Support services:	
Pupils	108,568
Instructional staff	4,266
Administration	23,421
Operation and maintenance of plant	124,171
Student transportation	143,883
Extra-curricular activities	135,438
Community Service	520
Food service operations	6,558
Total depreciation expense	<u>\$2,269,533</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**7. Long-Term Obligations**

A summary for changes in long-term obligations for the year ended June 30, 2013, follows:

Debt Issuance	Issued	7/1/2012				6/30/2013		Due within
		Balance	Additions	Deletions	Refunding	Balance	1 yr	
1996 Building Improvement Bonds	1997	\$ 83,140	-	\$ (83,140)	\$ -	\$ -	\$ -	
1996 Bonds Interest Accretion	1997	1,745,745	41,115	(1,786,860)	-	-	-	
<b>General Obligation Bonds Payable</b>		<u>1,828,885</u>	<u>41,115</u>	<u>(1,870,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
2013 Refunding Issue Bonds	2013	-	-	-	19,220,000	19,220,000	590,000	
Premium on Refunding Bonds	2013	-	-	-	2,527,916	2,527,916	377,032	
2005 Refunding Issue Bonds	2005	24,305,000	-	(155,000)	(19,230,012)	4,919,988	1,402,493	
Premium on Refunding Bonds	2005	1,154,192	-	(105,802)	(1,048,390)	-	-	
2005 Bonds Interest Accretion	2005	1,099,102	156,680	-	-	1,255,782	-	
<b>Refunding Bonds Payable</b>		<u>26,558,294</u>	<u>156,680</u>	<u>(260,802)</u>	<u>1,469,514</u>	<u>27,923,686</u>	<u>2,369,525</u>	
Net bonds outstanding		28,387,179	197,795	(2,130,802)	1,469,514	27,923,686	2,369,525	
Energy Conservation note	2013	-	1,973,000	(389,309)	-	1,583,691	391,937	
Total long term debt		28,387,179	2,170,795	(2,520,111)	1,469,514	29,507,377	2,761,462	
Compensated Absences	N/A	6,575,647	352,904	(431,407)	-	6,497,144	527,239	
Total Long-Term Obligations		<u>\$ 34,962,826</u>	<u>\$ 2,523,699</u>	<u>\$ (2,951,518)</u>	<u>\$ 1,469,514</u>	<u>\$ 36,004,521</u>	<u>\$ 3,288,701</u>	
<b>Deferred outflows</b>								
Deferred Amount on Refunding	2005	(1,022,200)	-	93,702	928,498	-	-	
Deferred Amount on Refunding	2013	-	-	-	(2,188,963)	(2,188,963)	-	
<b>Total deferred outflows</b>		<u>\$ (1,022,200)</u>	<u>\$ -</u>	<u>\$ 93,702</u>	<u>\$ (1,260,465)</u>	<u>\$ (2,188,963)</u>		

On May 14, 2013 the District issued \$19,220,000 in taxable refunding bonds to refund portions of the 2005 refunding bonds. Bond premium and deferred amount on refunding of \$2,527,916 and \$2,188,963, respectively, have been recorded on the Statement of Net Position, net of related amortization, as long-term liabilities and deferred outflows, respectively. This transaction resulted in a cash flow savings of \$1,946,304 and an economic gain (present value gain) of \$1,723,127.

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 District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

The annual maturities of the general obligation bonds and notes (at par) as of June 30, 2013, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2014	.25-5.125	2,384,430	1,470,259
2015	.25-5.125	2,052,077	1,538,573
2016	.25-5.125	2,837,245	730,543
2017	.25-5.125	2,704,927	661,413
2018	.25-5.125	2,375,000	634,919
2019-2023	.25-5.125	13,370,000	1,649,010
Total		<u>\$ 25,723,679</u>	<u>\$ 6,684,717</u>

Not included in the above amounts as of June 30, 2013 are \$19,230,012 of bonds that the District defeased May 14, 2013. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the District's financial statements.

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, 2013 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, 2013.

**9. Notes Payable**

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. The notes mature on June 1, 2017. The annual maturities of principal and interest are included in Note 7 above.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**10. Defined Benefit Pension Plans**

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$1,466,490, \$1,451,961 and \$1,428,021, respectively, which equaled the required contributions each year.

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, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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, 2013, 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 2013, 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, 2013, 2012, and 2011 were \$5,965,092, \$5,828,724 and \$5,860,956, respectively; 100% has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, 2013, 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

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School District's contributions for the years ended June 30, 2013, 2012 and 2011 were \$77,514, \$77,784 and \$77,521, respectively, which equaled the required contributions each year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

School Employees Retirement System (continued)

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. 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 contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$16,760, \$57,041 and \$46,921, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

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

State Teachers Retirement System (continued)

Funding Policy –Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012 (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, 2013, 2012, and 2011 were \$426,078, \$416,337, and \$418,640, respectively; 100% has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**12. Joint Venture Without Equity Interest**

**Rockbridge Academy**

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.

**Burbank Park**

In 2003 the City of Upper Arlington (City) and the Upper Arlington City School District (District) entered into a joint operating agreement to provide recreational facilities at Burbank Park for the benefit of the residents of the City. Whereas, pursuant to Ohio Revised Code Section 755.16, this agreement shall establish the working partnership between the City and the District regarding joint acquisition and construction of the project, as well as its shared operation and maintenance. The agreement establishes a four (4) member operations committee consisting of the Superintendent of the School District, the City Manager, the School District’s Athletic Director, and the Parks and Recreation Director of the City.

The Agreement shall exist until:

One year from date of certificate of establishment (July 11, 2003), and shall automatically renew for consecutive periods of one (1) year each for so long as the project is used for public athletic and recreational uses for the benefit of the residents of the City.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**13. Property Taxes (Continued)**

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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 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, 2013, are available to finance fiscal year 2013 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, 2013 and for which there is an enforceable legal claim.

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

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

Real Estate	\$ 1,553,829,470
Public Utility	23,363,050
Total	<u>\$ 1,577,192,520</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**14. Contingent Liabilities**

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

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

**15. Set-Aside Calculations**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of 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 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.

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, 2012	\$ -	\$ 1,165,304
Current year set-aside requirement	885,423	-
Current year offsets	(3,096,213)	-
Qualifying disbursements	<u>(201,217)</u>	<u>-</u>
Total	<u>\$ (2,412,007)</u>	<u>\$ 1,165,304</u>
Balance carried forward to FY 2014	<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 2013 the District contracted with an independent insurance provider for general liability insurance with an \$8 million umbrella coverage.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**16. Risk Management (Continued)**

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.

On September 1, 2012 the District became self-insured in connection with a formalized risk management program in an effort to control claims and costs related to injured workers' compensation. The District pays into the self-insured fund, which is accounted for in the General Fund, a percentage of the covered employee's salary. The rate is fixed and determined annually based on claims experience. The rate for fiscal year 2013 was 0.57% and is paid by the fund from which the employee is paid. The District contracts with a third party to manage claims and also purchased stop-loss coverage for claims exceeding \$400,000. A claims liability of \$32,797 was recorded at June 30, 2013. This amount represents an estimate of incurred but unpaid and unreported claims at year end, known claims, as well as an estimate of the claims liability that was previously administered via the State's Workers Compensation Plan (BWC). This liability is included in the "Accounts Payable" amounts on the Statement of Net Position at June 30, 2013.

**17. Interfund Transactions**

A. Due to/from balances at June 30, 2013 as reported on the fund statements, consist of the following amounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Misc. State Grants -Special Revenue	\$ 4,717
General Fund	Title III Grant – Special Revenue	\$ 2,018
General Fund	Special Education Grant – Special Revenue	\$ 3,411
General Fund	Targeted Assistance Grant – Special Revenue	\$ 12,349

The primary purpose of the due to/due from 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.

Due to/due from balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the Statement of Net Position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**17. Interfund Transactions (Continued)**

B. Interfund balances at June 30, 2013 as reported on the fund statements, consist of the following amounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service -Special Revenue	\$ 370
General Fund	Summer Academy – Special Revenue	\$ 55
General Fund	Auxiliary Schools – Special Revenue	\$ 126
General Fund	Special Education Grant – Special Revenue	\$ 579
General Fund	Targeted Assistance Grant – Special Revenue	\$ 271

The primary purpose of the interfund balances is to cover charges for workers compensation costs. See note 16 above.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the Statement of Net Position.

C. Interfund transfers for the year ended June 30, 2013, consisted of the following transfers from the General Fund to other governmental funds:

Debt Service	\$ 408,916
Capital Projects	50,000
Food Service Fund	133,000
District Managed Student Activities Fund	71,750
Summer Academy Fund	12,584
	<u>\$ 676,250</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**18. Change in accounting Principle and Restatement**

Change in Accounting Principle for new GASB Statement

During the year, the District adopted GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;*” and Statement No.65, “*Items Previously Recognized as Assets and Liabilities.*” The objectives of these statements were to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as Deferred Inflows of Resources, Deferred Outflows of Resources, or as outflows or resources. As a result of implementing these statements, the following assets and liabilities have been reclassified, as indicated.

Item	New classification	Governmental Activities
Deferred amount on refunding (previously included in bonds payable, net)	Deferred outflow of resources	\$2,188,963
Bond issuance costs (the unamortized portion was previously reported as an asset)	Outflow of resources	\$209,048
Property tax billed, but levied for the next year’s budget (previously reported as a liability)	Deferred inflow of resources	\$37,289,124

Additionally, the net position at the beginning of the year has been restated to reflect the change in treatment for bond issuance cost, which was previously reported as an asset as follows:

	Governmental <u>Activities</u>
Net position, as previously reported	\$80,228,857
Effect of change related to bond issuance cost	(162,681)
Net position, as restated	<hr style="border: 0.5px solid black;"/> <u>\$80,066,176</u>

**Upper Arlington City Schools**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 68,295,468	\$ 61,409,306	\$ 61,412,372	\$ 3,066
Intergovernmental	12,250,282	12,438,482	12,439,844	1,362
Interest	165,000	129,000	127,877	(1,123)
Tuition and Fees	80,000	137,634	137,492	(142)
Rent	135,000	223,000	223,090	90
Extracurricular Activities	150,000	144,900	144,939	39
Gifts and Donations	60,000	78,000	78,512	512
Miscellaneous	878,000	1,641,260	1,640,804	(456)
<b>Total Revenues</b>	<b>\$ 82,013,750</b>	<b>\$ 76,201,582</b>	<b>\$ 76,204,930</b>	<b>\$ 3,348</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	\$ 41,479,908	\$ 41,895,789	\$ 41,864,988	\$ 30,801
Special	7,802,981	9,514,286	9,498,093	16,193
Vocational	112,300	56,286	56,175	111
Student Intervention Services	1,075,824	1,076,368	1,073,747	2,621
<b>Support Services:</b>				
Pupils	4,809,381	5,361,733	5,347,441	14,292
Instructional Staff	6,963,888	5,300,821	5,275,182	25,639
Board of Education	54,848	39,406	37,822	1,584
Administration	4,868,410	4,621,331	4,601,922	19,409
Fiscal	1,853,730	1,815,801	1,812,878	2,923
Business	728,799	729,171	726,630	2,541
Operation and Maintenance of Plant	7,525,887	7,282,446	7,269,541	12,905
Pupil Transportation	1,766,573	1,714,918	1,712,668	2,250
Central	2,371,481	1,136,455	1,127,539	8,916
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations		35,200	34,781	419
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	208,557	203,214	201,081	2,133
Sport Oriented Activities	960,887	1,007,476	993,167	14,309
School and Public Service Co-Curricular Activities	48,355	63,591	62,403	1,188
<b>Total Expenditures</b>	<b>\$ 82,631,809</b>	<b>\$ 81,854,292</b>	<b>\$ 81,696,058</b>	<b>\$ 158,234</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(618,059)</b>	<b>(5,652,710)</b>	<b>(5,491,128)</b>	<b>161,582</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Advances In	50,000	108,796	108,796	-
Refund of Prior Year Expenditures	35,000	26,243	26,243	-
Transfers Out	(593,450)	(676,350)	(676,249)	101
Advances Out	(50,000)	(54,400)	(54,324)	76
Refund of Prior Year Receipts	(36,527)	(1,027)	(948)	79
Other Uses of Funds	(4,596)	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ (599,573)</b>	<b>\$ (596,738)</b>	<b>\$ (596,482)</b>	<b>\$ 256</b>
<b>Net Change in Fund Balances</b>	<b>(1,217,632)</b>	<b>(6,249,448)</b>	<b>(6,087,610)</b>	<b>161,838</b>
<b>Fund Balance at Beginning of Year</b>	<b>33,970,414</b>	<b>33,970,414</b>	<b>33,970,414</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>1,318,728</b>	<b>1,318,728</b>	<b>1,318,728</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 34,071,510</b>	<b>\$ 29,039,694</b>	<b>\$ 29,201,532</b>	<b>\$ 161,838</b>

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 2013 permanent appropriation measure at its September 10, 2012 regular meeting. The Board of Education adopted at the June 27, 2012 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

**B. Reconciling Budgetary Basis and GAAP**

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

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
 (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 position	\$ (3,069,721)
<b>Adjustments:</b>	
Due to revenues	(315,544)
Due to expenditures	(2,419,986)
Due to other financing sources	79,768
Funds budgeted as Special Revenue Funds	(362,127)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	\$ (6,087,610)

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UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Award Year	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster				
Non-Cash Assistance (Food Donation)	2013	10.555	\$ 35,916	\$ 35,916
National School Lunch Program	2013	10.555	<u>79,611</u>	<u>79,611</u>
Total Nutrition Cluster			<u>79,611</u>	<u>79,611</u>
Total U.S. Department of Agriculture			<u>115,527</u>	<u>115,527</u>
<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	2013	84.010	344,766	348,383
Title I Grants to Local Educational Agencies	2012	84.010	37,000	37,036
ARRA Title I Grants to Local Educational Agencies	2011	84.389	<u>26,160</u>	<u>24,992</u>
Total Title I Cluster			<u>407,926</u>	<u>410,411</u>
Special Education Cluster:				
Special Education Grants to States	2013	84.027	870,544	913,935
Special Education Grants to States	2012	84.027	213,948	164,384
Special Education Preschool Grants	2013	84.173	<u>17,224</u>	<u>17,224</u>
Total Special Education Cluster			<u>1,101,716</u>	<u>1,095,543</u>
Race to the Top Incentive Grants	2013	84.395	32,854	34,324
English Language Acquisition Grants - Limited English Proficient	2013	84.365	15,236	16,145
Improving Teacher Quality State Grants	2013	84.367	92,480	97,586
Education Technology State Grants	2012	84.318	<u>-</u>	<u>20</u>
Total U.S. Department of Education			<u>1,650,212</u>	<u>1,654,029</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Disaster Grants- Public Assistance	2013	97.036	<u>9,332</u>	<u>9,332</u>
<b>Total Federal Awards</b>			<u>\$ 1,775,071</u>	<u>\$ 1,778,888</u>

The accompanying notes are an integral part of this schedule.

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 North Mallway Drive  
Upper Arlington, Ohio 43221

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 28, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Upper Arlington City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Upper Arlington City School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect the major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Upper Arlington City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 28, 2013

**UPPER ARLINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<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>	Unmodified
<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>	<ul style="list-style-type: none"> <li>• <u>Special Education Cluster:</u></li> <li>- Special Education Grants to States CFDA #84.027</li> <li>- Special Education Preschool Grant CFDA #84.173</li> </ul>
<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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 14, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 28, 2013

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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  
DECEMBER 10, 2013