



**Auditor of State
Betty Montgomery**

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison schedule for the general fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

April 14, 2006

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
(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, 2005.

Financial Highlights

The District's net assets are \$37,403,504 as of June 30, 2005 according to the Statement of Net Assets. This represents an increase of \$8,467,598 or 29.3% from last year.

In November of 2004 the Citizens of the District authorized by vote a 7.5 mil operating levy. The levy began collection in January 2005 and raised approximately \$9.8 million in annual new revenues. The current five-year forecast prepared by the District as mandated by state law, reflects a need for additional operating funds by fiscal year 2009.

The General Fund reported a positive fund balance of \$16,691,141. However, included within this balance is approximately \$14.9 million in tax revenues intended to finance next year's operations. Under accrual accounting, monies certified as being available for advance by the County Auditor as of fiscal year end are recognized as revenues within that fiscal year. On a budgetary basis these monies are intended to finance the following year.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds 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 funds—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

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005, continued
(Unaudited)

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.

Governmental Funds

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

Fiduciary Fund

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$37,403,504 according to the Statement of Net Assets at the close of the most recent fiscal year.

One of the largest portions of the District's net assets (50.2%) reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005, continued
(Unaudited)

A comparative analysis of fiscal year 2005 to 2004 follows from the Statements of Net Assets:

Upper Arlington City School District
Net Assets

	Governmental Activities	
	2005	2004
Current assets	\$ 67,621,517	\$ 61,913,944
Capital assets	58,695,427	59,881,041
Total assets	126,316,944	121,794,985
Current liabilities	42,254,379	44,761,454
Long-term liabilities	46,659,061	48,097,625
Total liabilities	88,913,440	92,859,079
Net Assets:		
Invested in capital, net of debt	18,803,681	19,360,165
Restricted	6,795,512	5,867,808
Unrestricted	11,804,311	3,707,933
Total net assets	\$ 37,403,504	\$ 28,935,906

A portion of the District's net assets (18.3%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005, continued
(Unaudited)

Changes in Net Assets

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Program revenues:		
Charges for services	\$ 4,390,353	\$ 4,452,166
Grants	2,874,540	1,896,271
General revenues:		
Property taxes	58,223,601	47,820,349
State entitlements	11,361,357	11,146,516
Investment earnings	426,134	198,451
Miscellaneous	1,286,969	851,381
Total revenues	<u>78,562,954</u>	<u>66,365,134</u>
Program expenses:		
Instructional	39,532,191	37,826,947
Support services	22,182,450	21,448,806
Extracurricular student activities	2,307,791	2,103,826
Food services	1,207,399	1,042,553
Community services	3,041,996	2,956,554
Interest on long-term debt	1,823,529	4,213,414
Total expenses	<u>70,095,356</u>	<u>69,592,100</u>
Increase (decrease) in net assets	8,467,598	(3,226,966)
Net assets beginning of year	<u>28,935,906</u>	<u>32,162,872</u>
Net assets end of year	<u>\$ 37,403,504</u>	<u>\$ 28,935,906</u>

Governmental Activities

In 2005 net assets of the District's governmental activities increased by \$8,467,958. The increase was primarily a result of the 7.5 mil new levy and the timing of the certification of revenues by the County. In Ohio, the portion of property taxes legally available as an advance by June 30 is reported as revenue on both the full accrual and modified accrual basis of accounting. Thus, in the previous year Franklin County certified that the amount of taxes available for advance was approximately \$10.5 million; whereas, the amount available for advance at June 30, 2005 was approximately \$15.6 million.

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

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005, continued
(Unaudited)

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.

<u>Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Service</u>
	<u>2005</u>	<u>2005</u>
Instructional services	\$ 39,532,192	\$38,253,855
Support services	22,182,300	21,317,677
Extracurricular student activities	2,307,940	1,786,047
Food services	1,207,399	83,048
Community services	3,041,996	(433,693)
Interest on long-term debt	1,823,529	1,823,529
Total	<u>\$ 70,095,356</u>	<u>\$62,830,463</u>

Local property taxes make up 74.1% of total revenues for governmental activities. The net services column reflecting the need for \$62,830,463 of support indicates the reliance on general revenues to support governmental activities.

The District's Funds

The District's governmental funds reported a combined fund balance of \$23,015,254, which represents a increase of \$8,604,569 as compared to last year's total of \$14,410,685 according to the Governmental Funds Balance Sheet. The schedule below shows the fund balance and the total change in fund balance from June 30, 2005 to 2004.

	<u>Fund Balance at</u> <u>June 30, 2005</u>	<u>Fund Balance at</u> <u>June 30, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 16,691,141	\$ 8,895,424	7,795,717
Other Governmental Funds	6,324,113	5,515,261	808,852
Total	<u>\$ 23,015,254</u>	<u>\$ 14,410,685</u>	<u>8,604,569</u>

General Fund

The District's General Fund balance increased primarily because of the increase in property tax revenues due to the 7.5 mil new levy and the timing of tax advances. In Ohio, the portion of

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005, continued
(Unaudited)

property taxes legally available as an advance by June 30 is reported as revenue on both the full accrual and modified accrual basis of accounting. Thus, in the previous year Franklin County certified that the amount of taxes available for advance was approximately \$9.7 million; whereas, the amount available for advance at June 30, 2005 was approximately \$14.9 million.

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

Revenues	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Property taxes	\$ 55,545,378	\$ 50,158,608	10.74%
Intergovernmental	10,962,950	10,487,730	4.53%
Investment income	360,043	168,717	113.40%
Other revenue	<u>975,218</u>	<u>765,967</u>	27.32%
Total	<u>\$ 67,843,589</u>	<u>\$ 61,581,022</u>	10.17%

Overall revenues increased as a result of the increase in property taxes as discussed above. Interest earnings are up 113.4% from fiscal 2004 due to increasing interest rates.

As the table below indicates, the largest portion of General Fund expenditures is for instructional cost.

Expenditures by Function	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Instructional services	\$ 36,801,616	\$ 33,813,159	8.84%
Support services	20,925,206	21,206,258	-1.33%
Extracurricular student activities	998,315	851,715	17.21%
Capital Outlay	1,179,923	-	100.00%
Debt Service	<u>739,476</u>	<u>534,611</u>	38.32%
Total	<u>\$ 60,644,536</u>	<u>\$ 56,405,743</u>	7.51%

Expenditures are up 7.51% over the prior year. The increase is due to the issuance of capital lease obligation in the current year in the amount of \$1,179,923 as well as normal pay increases.

Other Funds

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$808,852.

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.

Upper Arlington City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005, continued
(Unaudited)

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

The District has \$58,695,427 invested in capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2005, the District had \$38,734,161 in long-term outstanding notes and bonds. Additionally, the District has capital lease obligations of \$1,136,119. The District paid \$2,705,000 in principal on notes and bonds outstanding and \$1,701,956 in interest payments during the 2005 fiscal year. The District issued \$32,125,000 in general obligation refunding bonds to advance refund a portion of the 1997 bonds outstanding. Detailed information regarding long-term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2005, the District's general obligation debt was below the legal limit.

Component Unit

The Upper Arlington International Baccalaureate High School (IB School), a discretely presented component Unit of the Upper Arlington City School District, was approved for operation under a contract with the District (the Sponsor) in 2004. The IB School is a legally separate not-for-profit served by an appointed seven-member board of Directors. The IB School is a two-year comprehensive curriculum for grades 11 and 12, that seeks to prepare students for post-secondary study through courses and instructional techniques that emphasize:

- Critical thinking
- Application of Knowledge
- A liberal arts education with international focus

All Students of the IB School must reside within the Upper Arlington City School District. Separately issued financial statements can be obtained from Upper Arlington International Baccalaureate High School, 1950 North Mallway, Upper Arlington, Ohio 43221.

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UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government	Component Unit
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>INTERNATIONAL BACCALAUREATE</u>
ASSETS:		
Equity in pooled cash & investments	\$ 29,648,159	-
Cash and cash equivalents in segregated accounts	-	16,424
Restricted cash	285,453	-
Receivables	36,777,305	-
Due from other:		-
Governments	511,498	20,197
Funds	1,164	-
Inventory	115,382	-
Other assets	282,556	-
Land	244,883	-
Depreciable capital assets, net of accumulated depreciation	<u>58,450,544</u>	<u>3,364</u>
TOTAL ASSETS	<u><u>126,316,944</u></u>	<u><u>39,985</u></u>
LIABILITIES:		
Accounts payable	1,346,926	13,812
Due to other governments	148,329	-
Accrued interest payable	304,022	-
Deferred revenue	34,226,075	-
Accrued liabilities	6,229,027	-
Long-term Liabilities:		
Due within one year	5,737,454	-
Due in more than one year	<u>40,921,607</u>	<u>-</u>
TOTAL LIABILITIES	<u>88,913,440</u>	<u>13,812</u>
NET ASSETS		
Invested in capital assets, net of related debt	18,803,681	3,364
Restricted for:		
Budget stabilization	285,453	-
Debt Service	2,981,315	-
Capital projects	1,055,406	-
Other purposes	2,473,338	-
Unrestricted	<u>11,804,311</u>	<u>22,809</u>
TOTAL NET ASSETS	<u><u>\$ 37,403,504</u></u>	<u><u>26,173</u></u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities			
Instructional services:			
Regular	\$ 34,601,389	\$ 362,725	\$ 147,334
Special	4,808,732	19,686	739,656
Vocational	122,071	1,044	7,892
Support services:			
Operation and maintenance of plant	4,432,501	-	-
Board of Education	3,769,749	-	-
Business operations	642,513	-	-
Pupils	3,433,460	-	220,852
Fiscal Services	1,135,688	-	-
Instructional staff	5,450,302	-	374,742
Student transportation	1,220,438	-	42,881
Central services	2,065,024	-	90,971
General administration	32,625	-	135,177
Extracurricular student activities	2,307,940	521,893	-
Food Service operations	1,207,399	1,078,548	45,803
Community services	3,041,996	2,406,457	1,069,232
Interest on long-term debt	1,823,529	-	-
Total Primary Governmental Activities	70,095,356	4,390,353	2,874,540
Component Unit:			
International Baccalaureate	\$ 350,931	25,290	102,223

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

Change in Net Assets

Net Assets Beginning of Year
Net Assets End of Year

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS :			
Equity in Pooled Cash and investments	\$ 22,977,996	\$ 6,670,163	\$ 29,648,159
Restricted cash	285,453	-	285,453
Receivables	35,077,510	1,699,795	36,777,305
Due from other:			
Governments	-	511,498	511,498
Funds	1,164	-	1,164
Inventory	25,455	89,927	115,382
TOTAL ASSETS	<u>58,367,578</u>	<u>8,971,383</u>	<u>67,338,961</u>
LIABILITIES:			
Accounts payable	840,574	506,352	1,346,926
Due to other-			
Governments	148,329	-	148,329
Deferred revenue	34,677,000	1,922,425	36,599,425
Accrued liabilities	6,010,534	218,493	6,229,027
TOTAL LIABILITIES	<u>41,676,437</u>	<u>2,647,270</u>	<u>44,323,707</u>
FUND BALANCES:			
Fund balances:			
Reserved for encumbrances	442,014	311,991	754,005
Reserved for inventory	25,455	89,927	115,382
Reserved for future appropriations	14,946,990	746,710	15,693,700
Reserved for budget stabilization	285,453	-	285,453
Unreserved, reported in:			
General fund	991,229	-	991,229
Special Revenue funds	-	2,042,276	2,042,276
Debt Service fund	-	2,234,605	2,234,605
Capital Projects funds	-	898,604	898,604
TOTAL FUND BALANCES	<u>16,691,141</u>	<u>6,324,113</u>	<u>23,015,254</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 58,367,578</u>	<u>\$ 8,971,383</u>	<u>\$ 67,338,961</u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances	\$ 23,015,254
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	58,695,427
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,655,906
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	(304,022)
Compensated absences	(6,788,781)
Bonds and notes payable	(38,734,161)
Capital lease obligations	(1,136,119)
Net Assets of Governmental Activities	<u>\$ 37,403,504</u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
Property taxes	\$ 55,545,378	\$ 2,967,503	\$ 58,512,881
Intergovernmental:			
Federal Restricted Grants-in-aid	5,442	1,388,698	1,394,140
State:			
Unrestricted Grants-in-aid	10,939,202	416,289	11,355,491
Restricted Grants-in-aid	18,306	1,301,931	1,320,237
Investment income	360,043	66,091	426,134
Charges for services	-	3,202,015	3,202,015
Co-curricular activities	117,979	1,178,667	1,296,646
Tuition fees	132,280	-	132,280
Other	724,959	373,930	1,098,889
TOTAL REVENUES	67,843,589	10,895,124	78,738,713
EXPENDITURES:			
Current:			
Instructional services:			
Regular	32,093,015	182,087	32,275,102
Special	4,585,782	273,928	4,859,710
Vocational	122,819	-	122,819
TOTAL INSTRUCTIONAL SERVICES	36,801,616	456,015	37,257,631
Support services:			
Operation and maintenance of plant	4,667,868	-	4,667,868
School administration	3,470,086	376,107	3,846,193
Pupils	3,356,730	215,782	3,572,512
Fiscal	1,136,201	27,310	1,163,511
Business operations	535,880	107,952	643,832
Instructional staff	4,871,840	370,089	5,241,929
Student transportation	1,230,595	29,592	1,260,187
Central services	1,623,381	110,271	1,733,652
General administration	32,625	-	32,625
TOTAL SUPPORT SERVICES	20,925,206	1,237,103	22,162,309
Co-curricular student activities	998,315	1,305,623	2,303,938
Community services	-	2,956,270	2,956,270
Food service	-	1,153,334	1,153,334
Capital outlay	1,179,923	668,081	1,848,004
Debt service:			
Principal retirement	707,069	2,705,000	3,412,069
Interest and fiscal charges	32,407	1,701,956	1,734,363
TOTAL EXPENDITURES	60,644,536	12,183,382	72,827,918
Excess (deficiency) of revenues over expenditures	7,199,053	(1,288,258)	5,910,795
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of long-term notes	-	1,230,000	1,230,000
Premium on debt issue	-	2,021,591	2,021,591
Proceeds of refunding bonds	-	32,125,000	32,125,000
Inception of capital leases	1,179,923	-	1,179,923
Payment to refunded bond escrow agent	-	(33,862,740)	(33,862,740)
Transfers in	281,494	1,212,035	1,493,529
Transfers out	(864,753)	(628,776)	(1,493,529)
TOTAL OTHER FINANCING SOURCES (USES)	596,664	2,097,110	2,693,774
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	7,795,717	808,852	8,604,569
FUND BALANCES AT BEGINNING OF YEAR	8,895,424	5,515,261	14,410,685
FUND BALANCE AT END OF YEAR	\$ 16,691,141	\$ 6,324,113	\$ 23,015,254

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
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, 2005

Net Changes in Fund Balances - Total Governmental Funds	\$ 8,604,569
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.	(1,133,106)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(123,251)
Repayment of principal on debt obligations is an expenditure in governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	35,537,069
Cost associated with long-term debt issues during the year are accrued and amortized over the life of the debt. In the governmental funds these cost are recognized as expenditures or other financing uses:	
Bond Issuance cost	291,117
Deferred Amount on Refunding	1,737,740
Proceeds from the issuance of debt obligations is not reported as revenues in the statement of activities.	(36,556,514)
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	542,764
Loss on disposal of fixed assets	(52,508)
Interest expense	(380,282)
Change in Net Assets of Governmental Activities	<u>\$ 8,467,598</u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2005

		<u>AGENCY FUNDS</u>
ASSETS:		
Cash and investments	\$	269,503
TOTAL ASSETS		<u>269,503</u>
LIABILITIES:		
Accounts payable		7,956
Due to other:		
Student Activities		261,547
TOTAL LIABILITIES	\$	<u>269,503</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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 787 employees. Our student population is 5,645 students.

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 Upper Arlington City School 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 Upper Arlington International Baccalaureate High School (IB School) is a discretely presented component Unit of the District. It is reported in a separate column to emphasize that it is legally separate from the District.

The IB School is a legally separate not-for-profit served by an appointed seven-member board of Directors. The IB School is a two-year comprehensive curriculum for grades 11 and 12, that seeks to prepare students for post-secondary study through courses and instructional techniques that emphasize:

- Critical thinking
- Application of Knowledge
- A liberal arts education with international focus

Separately, issued financial statements can be obtained from Upper Arlington International Baccalaureate High School, 1950 North Mallway, Upper Arlington, Ohio 43221.

Additionally, within the School District boundaries, St. Agatha, St. Andrew, Wellington, and Sunshine Nursery 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 fund for reporting purposes.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

(A) Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of fund information.

Government-wide and fund financial statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year- end. The government- wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 School District.

During the year, the School District segregates transactions related to certain School 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.

(B) 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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. 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 School District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Funds used to account for the activity of the numerous student managed activities within the District and Rockbridge Academy are classified as agency funds. The District has not established any of the above trust funds.

(C) *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 School District are included on the Statement of Net Assets.

All government funds are accounted for using a flow of *current financial resources measurement focus* with this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (ie, revenues and other financing sources) and uses (ie, 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.

(D) *Basis of Accounting*

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) 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. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

Estimated Resources:

Prior to 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.

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.

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

(F) Cash and Investments

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

During fiscal year 2005, investments were limited to various government securities, repurchase agreements and STAR Ohio.

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

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2005. 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, 2005.

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 School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$360,043.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) *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 fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

(H) *Capital Assets and Depreciation*

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 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:

Buildings & Improvements	50
Furniture and Equipment	5-20
Vehicles	8

(I) *Interfund Activity*

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) *Compensated Absence*

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.

(K) *Accrued Liabilities and Long-term Debt*

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

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

(L) *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

(M) *Fund Balance Reservations*

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, inventory, property taxes for future appropriations, and budget stabilization. (See Note 13)

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(N) *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.

3. DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near- cash" status for immediate use by the District. Such monies must be maintained either as cash in the School Treasury, in depository accounts payable, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by the certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance (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:

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;

Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but no 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;

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;

Bonds and other obligations of the State of Ohio;

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

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);

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;

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 School 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 with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$ 1,247,509, and the bank balance was \$1,389,004. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2005, \$ 1,200,000 of the District's bank balance of \$1,389,004 was exposed to custodial risk as discussed below, while \$189,044 was covered by Federal Deposit Insurance Corporation.

Additionally, the District had undeposited cash on hand in the amount of \$10,262 included as part of cash and cash equivalents. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is 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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2005, the District had the following investments and maturities.

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
* Repurchase Agreement	\$ 12,899,000	12,899,000			
STAROhio	\$ 3,197,283	3,197,283			
FHLMC DN	9,866,958	7,926,657	1,940,301		
FHLB DN	1,987,644	1,987,644			
FNMA DN	999,459	999,459			
	<u>\$ 28,950,344</u>	<u>27,010,043</u>	<u>1,940,301</u>	<u>-</u>	<u>-</u>

* Underlying securities are guaranteed by the US government.

Interest Rate Risk. As a means of limiting its 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 were rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. Standard & 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 one issuer. Of the Districts total investments 44.6% are repurchase agreement, 34.1% are FHLMC DN, and 6.9% are FHLB DN.

Component Unit Cash and Cash Equivalents

At June 20, 2005, the carrying amount of all IB School deposits was \$ 16,424. The bank balance of \$ 20,367 was covered by Federal Deposit Insurance Corporation.

4. RECEIVABLES

Receivables at June 30, 2005, consist of the following:

	<u>Taxes</u>	<u>Other</u>	<u>Totals</u>
Governmental activities:			
General	\$ 35,058,360	19,150	35,077,510
Other governmental funds	<u>1,688,000</u>	<u>11,795</u>	<u>1,699,795</u>
Total	<u>\$ 36,746,360</u>	<u>30,945</u>	<u>36,777,305</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005, follows:

	Balance			Balance
	June 30, 2004	Additions	Disposals	June 30, 2005
<u>Governmental Activities Cost</u>				
Land (not being depreciated)	\$ 244,883	-	-	244,883
Building and improvements	69,178,605	576,928	-	69,755,533
Furniture, fixtures and equipment	22,561,004	1,589,592	481,894	23,668,702
Vehicles	1,407,576	29,287	18,130	1,418,733
Total at cost	<u>\$ 93,392,068</u>	<u>2,195,807</u>	<u>500,024</u>	<u>95,087,851</u>
 <u>Less accumulated depreciation</u>				
Building and improvements	\$ 21,028,778	1,478,804	-	22,507,582
Furniture, fixtures and equipment	11,425,236	1,775,281	429,386	12,771,131
Vehicles	1,057,013	74,828	18,130	1,113,711
Total accumulated depreciation	<u>\$ 33,511,027</u>	<u>3,328,913</u>	<u>447,516</u>	<u>36,392,424</u>
Capital assets, net	<u>\$ 59,881,041</u>	<u>(1,133,106)</u>	<u>52,508</u>	<u>58,695,427</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	
Regular	\$3,044,831
Special	36,503
Support services	
Pupil services	6,198
Administration	62,851
Operation of maintenance and plant	95,897
Student transportation	40,816
Community services	2,291
Extra-curricular activities	213
Food service operations	39,313
Total depreciation expense	<u>\$3,328,913</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

6. LONG-TERM OBLIGATIONS

A summary for changes in long-term obligations for the year ended June 30, 2005, follows:

Debt Issuance	Issued	7/1/2004 Balance	Additions	Deletions	6/30/2005 Balance	Due within 1 yr
1993 Refunding Bonds	1993	\$ 395,000	-	395,000	-	-
1996 Building Improvement Bonds	1997	35,824,366	-	33,205,000	2,619,366	1,170,000
1996 Bonds Interest Accretion	1997	2,241,689	133,283		2,374,972	
General Obligation Bonds Payable		38,461,055	133,283	33,600,000	4,994,338	1,170,000
2005 Refunding Issue Bonds	2005	-	32,125,000	-	32,125,000	440,000
Premium on Refunding Bonds	2005	-	2,021,591	59,459	1,962,132	-
Deferred Amount on Refunding	2005	-	(1,737,740)	-	(1,737,740)	-
2005 Bonds Interest Accretion	2005	-	160,431	-	160,431	-
Refunding Bonds Payable		-	32,569,282	59,459	32,509,823	440,000
Energy Conservation Note	2004	1,230,000	1,230,000	1,230,000	1,230,000	-
Compensated Absences	N/A	7,331,545	-	542,764	6,788,781	3,066,976
Capital Leases Payable	N/A	663,265	1,179,923	707,069	1,136,119	335,981
		\$ 47,685,865	35,112,488	36,139,292	46,659,061	5,012,957

On February 1, 2005 the District issued general obligation refunding bonds to provide resources to purchase US Government securities that were placed, along with a portion of the premiums received associated with the sale of the bonds, in an irrevocable trust for the purpose of generating resources for future debt service payments of \$32,125,000 of 1997 School Building Improvement general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,737,740. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next eighteen years by \$2,263,701 and resulted in an economic gain of \$1,667,607.

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

6. LONG-TERM OBLIGATIONS (Continued)

The annual maturities of the general obligation bonds and notes as of June 30, 2005, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2006	3.0 - 5.25	\$ 1,610,000	\$ 1,398,620
2007	3.0 - 5.25	2,740,000	1,323,432
2008	3.0 - 5.25	1,620,000	1,265,584
2009	3.0 - 5.25	1,705,000	1,215,769
2010	2.75 - 5.25	1,790,000	1,165,581
2011 - 2015	5.0 - 5.25	7,445,548	8,026,924
2016 - 2020	5.0 - 5.25	12,325,000	3,884,875
2021 - 2024	5.0 - 5.25	9,055,000	675,375
Total		\$ 38,290,548	\$ 18,956,160

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, 2005 the District's total net debt and unvoted net debt were approximately \$82,126,548 and \$1,309,982 of the total assessed value of all property within the school district.

Capital Lease Obligation

The District has entered into a capital lease obligation for the use of various technology equipment. The cost of this equipment which is included in the Districts capital asset is \$1,179,823.

The annual maturities of the capital lease obligation as of June 30, 2005, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2006	6.25%	335,981	13,733
2007	6.25%	311,100	38,615
2008	6.25%	329,842	19,872
2009	6.25%	159,196	-
Total		\$ 1,136,119	\$ 72,220

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2005, 13% was allocated to fund pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the fiscal years ending June 30, 2005, 2004, and 2003, were \$ 4,248,848, \$4,633,632, and \$4,398,982; respectively.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

B. School Employees Retirement System

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan.

SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts by the School Employees Retirement Board (Retirement Board) within the rates allowed by State Statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2005, 10.57% was allocated to fund pension benefit and 3.43% to fund health care. The Districts contributions to SERS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$1,273,812, \$1,235,280, and \$1,175,134 respectively, which were equal to the required contributions for each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS provides postemployment health care benefits to retirees who participate in the DB or Combined Plans and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, health care benefits are not guaranteed.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to health Care Stabilization Fund, which amounted to \$363,489 for the District. The balance of the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

The portion of the 2005 employer contribution rate that was used to fund health care for the year ended June 30, 2005 was 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount contributed to fund health care benefits, including the surcharge amounted to \$476,075.

9. JOINT VENTURE

The Rockbridge Academy (Academy) is a joint venture consisting of a consortium of six 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 obligations. The Academy is independent upon continued support of the member schools as it is not independently accumulating adequate financial resources. The District is the financial agent for the Academy, as such; cash in the amount of \$86,296 is accounted for in a Agency Fund. Further detailed financial information may be obtained by contacting the Upper Arlington City School District at 614-487-5007.

10. PROPERTY TAXES

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates, as established by Franklin County, were January 22, 2004 and June 20, 2005, for those taxes due during 2005.

Real property taxes collected during calendar year 2005 had a lien and levy date of January 1, 2004. Tangible personal property taxes collected during calendar year 2005 had a lien and levy date of January 1, 2005.

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in December 1999. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). The assessed values for collection in 2005, upon which the 2004 levies were based, was as follows:

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

11. PROPERTY TAXES (Continued)

Real Estate	\$ 1,272,665,500
Public Utility	18,109,660
Tangible Property	19,207,008
Total	<u>\$ 1,309,982,168</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .798% (7.98 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases. The total tax rate for the District, including voted increases, was 96.24 mills in 2005.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Upper Arlington City School District. The Franklin County Auditor periodically remits to the District its portion of the taxes collected. Property taxes may be paid on either an annual or semiannual basis.

12. 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.

13. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. State law has set the amount for the set-aside at the number of students times 3% of the average cost per pupil.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition reserves. Disclosure of this information is required by State statute.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

13. SET-ASIDE CALCULATIONS (Continued)

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Set-aside balance, July 1, 2004	\$ -	\$ -	\$ 285,453
Current year set-aside requirement	822,547	822,547	-
Qualifying expenditures	(1,111,494)	(1,239,193)	-
Total	<u>\$ (288,947)</u>	<u>\$ (416,646)</u>	<u>\$ 285,453</u>
Set-aside balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,453</u>

Amounts listed as qualifying disbursements in this table are the total amounts for the year. As the School District set-aside had an excess of qualifying disbursements, the set-aside cash balance carried forward is \$0 for textbooks and capital acquisition.

14. 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 2004 the District contracted with an independent insurance provider for general liability insurance with an \$8 million umbrella coverage.

The District maintains property and casualty insurance of approximately \$120 million. Property and fleet insurance is provided by an independent insurance provider and property holds a \$1,000 deductible and the bus fleet and maintenance vehicles have a \$250 deductible and a \$1,000,000 limit per occurrence and \$2 million in the aggregate. A \$250,000 employee dishonesty blanket bond is also included for all employees.

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

15. SUBSEQUENT EVENTS

A. Note issuance

On November 3, 2005, the District issued \$1,230,000 in notes for the purposing of refinancing notes of the same amount. The original notes were issued for the purpose of making building improvements for energy conservation. The new notes were issued at 3.71% and mature on November 2, 2006.

16. RESTATEMENTS of NET ASSETS/FUND BALANCE

The District has implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.* This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of this Bulletin had the following effect on fund balance of the General fund and other governmental funds as previously reported at June 30, 2004:

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2004	\$ 9,240,090	\$ 5,582,355
GASB Technical Bulletin No. 2004-02	(344,666)	(67,094)
Restated Fund Balance, June 30, 2004	\$ 8,895,424	\$ 5,515,261

Additionally, the District restated bonds payable at the beginning of the year. The restatement is an accounting change to report interest on deep discount bonds accreted in prior years. Under Ohio Law this accretion has no impact on the calculated legal debt margin. The restatement is as follows:

Net Assets Beginning of the year, as previously reported	\$31,177,595
Matured and paid accretion on bonds	(2,241,689)
Net Assets Beginning of the year, as restated	\$28,935,906

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005
(Continued)**

17. COMPLIANCE AND ACCOUNTABILITY

Annual Appropriation Measure – The District passed a temporary appropriation measure during fiscal year 2005, but failed to pass its annual permanent appropriation measure until April, 2005, nine months after the required October deadline. Further, the temporary appropriations did not include appropriations for any of the District’s special revenue, capital projects, enterprise or expendable trust funds. As a result, all expenditures made from these funds between July 1, 2004 and April 11, 2005, were illegal. Failure to pass annual appropriations timely, and failure to lawfully appropriate funds prior to expenditure are in noncompliance with Ohio Revised Code § 5705.38 and § 5705.41(B), respectively. The following table illustrates the amount of expenditures in excess of appropriations by fund type:

Fund	Appropriated	Expended	Variance
Special Revenue	\$0	3,760,325.42	3,760,325.42
Capital Projects	\$0	976,515.18	976,515.18
Enterprise	\$0	210,892.11	210,892.11
Expendable Trust	\$0	3,239.00	3,239.00
Total	\$0	\$4,950,971.71	\$4,950,971.71

REQUIRED SUPPLEMENTARY INFORMATION
UPPER ARLINGTON CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Property taxes	\$ 41,752,053	41,752,050	55,435,378	13,683,328
Investment income	180,000	180,000	284,535	104,535
Tuition fees	59,500	59,500	145,839	86,339
Co-curricular	103,500	103,500	117,979	14,479
Miscellaneous	651,942	726,942	605,364	(121,578)
State sources	10,350,530	10,350,530	10,957,507	606,977
Federal sources	5,000	5,000	5,442	442
TOTAL REVENUES	<u>53,102,525</u>	<u>53,177,522</u>	<u>67,552,044</u>	<u>14,374,522</u>
EXPENDITURES:				
REGULAR INSTRUCTION:				
Salaries and wages	22,724,894	23,090,629	23,092,287	(1,658)
Employee benefits	6,457,938	6,310,859	6,310,858	1
Purchased services	643,472	1,107,889	980,542	127,347
Supplies and materials	808,480	839,620	629,368	210,252
Capital Outlay	231,511	179,433	113,194	66,239
TOTAL REGULAR INSTRUCTION	<u>30,866,295</u>	<u>31,528,430</u>	<u>31,126,249</u>	<u>402,181</u>
SPECIAL INSTRUCTION:				
Salaries and wages	3,802,873	3,569,873	3,494,446	75,427
Employee benefits	1,126,848	1,015,826	958,735	57,091
Purchased services	45,331	64,631	45,639	18,992
Supplies and materials	7,639	11,462	9,412	2,050
Capital Outlay	5,000	5,000	-	5,000
TOTAL SPECIAL INSTRUCTION	<u>4,987,691</u>	<u>4,666,792</u>	<u>4,508,232</u>	<u>158,560</u>
VOCATIONAL INSTRUCTION:				
Purchased services	275,300	200,800	200,454	346
Supplies and materials	3,603	3,069	2,880	189
Capital Outlay	2,500	2,500	-	2,500
TOTAL VOCATIONAL INSTRUCTION	<u>281,403</u>	<u>206,369</u>	<u>203,334</u>	<u>3,035</u>
PUPIL SERVICES:				
Salaries and wages	2,640,998	2,589,660	2,533,626	56,034
Employee benefits	806,592	713,083	672,287	40,796
Purchased services	75,670	62,606	47,776	14,830
Supplies and materials	63,159	62,266	36,482	25,784
Other	905	905	540	365
TOTAL PUPIL SERVICES	<u>\$ 3,587,324</u>	<u>3,428,520</u>	<u>3,290,711</u>	<u>137,809</u>

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
UPPER ARLINGTON CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
INSTRUCTIONAL STAFF:				
Salaries and wages	\$ 2,065,573	2,033,808	2,027,161	6,647
Employee benefits	561,170	538,023	538,022	1
Purchased services	2,366,442	2,253,782	2,134,903	118,879
Supplies and materials	324,226	321,419	275,055	46,364
Capital Outlay	37,984	31,691	11,580	20,111
Other	5,775	6,955	4,527	2,428
TOTAL INSTRUCTIONAL STAFF	<u>5,361,170</u>	<u>5,185,678</u>	<u>4,991,248</u>	<u>194,430</u>
BOARD OF EDUCATION				
Salaries and wages	11,600	11,600	8,080	3,520
Employee benefits	1,373	1,483	1,482	1
Purchased services	8,854	8,427	2,954	5,473
Supplies and materials	4,297	3,448	2,398	1,050
Other	2,100	21,000	9,920	11,080
TOTAL BOARD OF EDUCATION	<u>28,224</u>	<u>45,958</u>	<u>24,834</u>	<u>21,124</u>
SCHOOL ADMINISTRATION:				
Salaries and wages	2,424,071	2,424,071	2,342,332	81,739
Employee benefits	752,545	670,452	663,536	6,916
Purchased services	632,238	602,936	452,662	150,274
Supplies and materials	26,859	30,141	16,548	13,593
Capital Outlay	44,137	35,699	11,077	24,622
Other	61	61	-	61
TOTAL SCHOOL ADMINISTRATION	<u>3,879,911</u>	<u>3,763,360</u>	<u>3,486,155</u>	<u>277,205</u>
FISCAL SERVICES:				
Salaries and wages	372,019	369,719	343,059	26,660
Employee benefits	143,974	137,307	137,307	-
Purchased services	27,540	63,862	46,036	17,826
Supplies and materials	8,985	8,427	5,219	3,208
Other	687,912	641,426	610,733	30,693
TOTAL FISCAL SERVICES	<u>1,240,430</u>	<u>1,220,741</u>	<u>1,142,354</u>	<u>78,387</u>
BUSINESS OPERATIONS				
Salaries and wages	182,286	247,286	246,340	946
Employee benefits	54,178	60,420	60,420	-
Purchased services	338,718	317,149	306,224	10,925
Supplies and materials	32,534	30,753	22,550	8,203
Capital outlay	63,160	20,575	19,134	1,441
Other	420	420	376	44
TOTAL BUSINESS OPERATIONS	<u>\$ 671,296</u>	<u>676,603</u>	<u>655,044</u>	<u>21,559</u>

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
UPPER ARLINGTON CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
OPERATION AND MAINTENANCE OF PLANT:				
Salaries and wages	\$ 2,836,126	2,771,126	2,685,527	85,599
Employee benefits	1,056,573	975,198	975,197	1
Purchased services	1,792,484	1,664,900	1,436,212	228,688
Supplies and materials	731,175	573,257	419,842	153,415
Capital outlay	60,844	55,151	41,233	13,918
TOTAL OPERATION AND MAINTENANCE OF PLANT	<u>6,477,202</u>	<u>6,039,632</u>	<u>5,558,011</u>	<u>481,621</u>
STUDENT TRANSPORTATION:				
Salaries and wages	903,331	903,331	874,238	29,093
Employee benefits	238,751	227,022	227,021	1
Purchased services	4,773	4,750	4,428	322
Supplies and materials	199,367	184,369	166,072	18,297
Capital Outlay	18,112	60,000	-	60,000
TOTAL STUDENT TRANSPORTATION	<u>1,364,334</u>	<u>1,379,472</u>	<u>1,271,759</u>	<u>107,713</u>
CENTRAL SERVICES:				
Salaries and wages	796,686	815,397	714,063	101,334
Employee benefits	194,394	194,958	194,957	1
Purchased services	856,721	625,266	409,477	215,789
Supplies and materials	83,447	107,834	51,097	56,737
Capital outlay	401,222	329,398	312,970	16,428
Other	1,391	1,391	896	495
TOTAL CENTRAL SERVICES	<u>2,333,861</u>	<u>2,074,244</u>	<u>1,683,460</u>	<u>390,784</u>
CO-CURRICULAR ACTIVITIES:				
Salaries and wages	778,113	818,734	800,442	18,292
Employee benefits	140,019	139,989	89,858	50,131
Purchased services	8,300	11,200	7,605	3,595
TOTAL CO-CURRICULAR ACTIVITIES	<u>926,432</u>	<u>969,923</u>	<u>897,905</u>	<u>72,018</u>
TOTAL EXPENDITURES	<u>62,005,573</u>	<u>61,185,749</u>	<u>58,839,296</u>	<u>2,346,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,903,048)</u>	<u>(8,008,227)</u>	<u>8,712,748</u>	<u>16,720,975</u>
OTHER FINANCING SOURCES (USES):				
Other	(642,742)	(1,095,737)	(330,870)	764,867
Refund of prior year expenditures	-	-	203,851	203,851
TOTAL OTHER FINANCING SOURCES (USES)	<u>(642,742)</u>	<u>(1,095,737)</u>	<u>(127,019)</u>	<u>968,718</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(9,545,790)	(9,103,964)	8,585,729	17,689,693
Prior year encumbrances appropriated	1,486,633	1,486,633	1,486,633	-
FUND BALANCES AT BEGINNING OF YEAR	<u>13,136,011</u>	<u>13,136,011</u>	<u>13,136,011</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 5,076,854</u>	<u>5,518,680</u>	<u>23,208,373</u>	<u>17,689,693</u>

UPPER ARLINGTON CITY SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Year Ended June 30, 2005

NOTE A - RECONCILING BUDGET BASIS AND GAAP

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual column presented on the Budgetary Comparison Schedule – General Fund is prepared 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);
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis); and
- D. Investments are recorded at cost (budget basis) as opposed to fair value (GAAP basis).

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

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 7,795,717
Adjustments	
Due to revenues	(291,545)
Due to expenditures	1,805,240
Due to other financing sources	(723,683)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u>\$ 8,585,729</u>

UPPER ARLINGTON CITY SCHOOL DISTRICT

Notes to the Required Supplementary Information (continued)
For the Year Ended June 30, 2005

NOTE B - COMPLIANCE AND ACCOUNTABILITY

Annual Appropriation Measure – The District passed a temporary appropriation measure during fiscal year 2005, but failed to pass its annual permanent appropriation measure until April, 2005, nine months after the required October deadline. Failure to pass annual appropriations timely is in noncompliance with Ohio Revised Code § 5705.38.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$ -	\$ 21,723	\$ -	\$ 21,723
National School Lunch Program	044933-LLP4-2004/2005	10.555	54,080	-	54,080	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>54,080</u>	<u>21,723</u>	<u>54,080</u>	<u>21,723</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	044933-C1S1-2004/2005	84.010	-	-	11,837	-
Special Education_Grants to States	044933-6BSF-2004/2005	84.027	1,005,127	-	760,101	-
Safe and Drug-Free Schools and Communities_National Programs	044933-T4S1-2003/2004	84.184	2,279	-	10,290	-
Safe and Drug-Free Schools and Communities_State Grants	044933-DRS1-2004/2005	84.186	18,658	-	14,994	-
Even Start Grant_State Educational Agencies	044933-CMA1-2005	84.213	600	-	600	-
Innovative Educational Program Strategies	044933-C2S1-2004/2005	84.298	37,589	-	25,426	-
Technology Literacy Challenge Fund Grants	044933-TJS1-2005	84.318	2,752	-	-	-
Vocational Education_Occupational and Employment Information State Grants	OEOO-2004	84.346	-	-	1,943	-
English Language Acquisition Grants	044933-T3S1/S2-2004/2005	84.365	44,802	-	39,081	-
Improving Teacher Quality State Grants	044933-TRS1-2004/2005	84.367	139,322	-	112,462	-
Total U.S. Department of Education			<u>1,251,129</u>	<u>-</u>	<u>976,734</u>	<u>-</u>
<u>United States Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	044933	93.778	5,441	-	-	-
<u>Corporation for National and Community Service</u>						
<i>Passed through Ohio Department of Education:</i>						
Learn and Serve America_School and Community Based Programs	044933-SVS1-2005	94.004	25,427	-	30,921	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Public Assistance Grants	FEMA-1580/3198-DR/EM-049-UIIN4	97.036	3,111	-	6,861	-
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,339,188</u>	<u>\$ 21,723</u>	<u>\$ 1,068,596</u>	<u>\$ 21,723</u>

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated April 14, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated April 14, 2006, we reported other matter related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

April 14, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Upper Arlington City School District, Franklin County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the Upper Arlington International Baccalaureate High School (UAIBHS), a discretely presented component unit. Because the component unit is legally separate from the District which this report addresses, and because it expended less than \$500,000 of federal awards for the year ended June 30, 2005, it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005. In a separate letter to the District's management dated April 14, 2006, we reported other matters related to federal compliance not requiring inclusion in this report.

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Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

April 14, 2006

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States – CFDA #84.027 Improving Teacher Quality State Grants – CFDA #84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2005-001

Annual Appropriations Measure

Ohio Rev. Code Section 5705.38 states in part that a board of education shall pass its annual appropriation measure by the first day of October. If, by the first day of October, a board has not received either the amended certificates of estimated resources required by division (B) of [section 5705.36](#) of the Revised Code or certifications that no amended certificates need be issued, the adoption of the annual appropriation measure shall be delayed until the amended certificates or certifications are received. Prior to the passage of the annual appropriation measure, the board may pass a temporary appropriation measure for meeting the ordinary expenses of the district until it passes an annual appropriation measure.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)

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

FINDING NUMBER 2005-001 (Continued)

Annual Appropriations Measure (Continued)

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

The District passed a temporary appropriation measure but did not pass their annual appropriation measure until April 11, 2005, nine months after the required date. The official certificate of estimated resources and amendments were received before October 1, 2004.

In addition the temporary appropriation measure did not include appropriations for the special revenue, capital projects, enterprise or expendable trust funds. As a result all expenditures made from these funds were not appropriated for from July 1, 2004 through April 11, 2005. The following table illustrates total expenditures from each fund type that were made prior to April 11, 2005:

Fund	Appropriated	Expended	Variance
Special Revenue	\$0	3,760,325.42	3,760,325.42
Capital Projects	\$0	976,515.18	976,515.18
Enterprise	\$0	210,892.11	210,892.11
Expendable Trust	\$0	3,239.00	3,239.00
Total	\$0	\$4,950,971.71	\$4,950,971.71

We recommend that the District pass their annual appropriation measure timely and appropriate for all expenditures before payment is made as required by the Ohio Revised Code.

Management's Response

Due to the changing of staff and an operating levy in November 2004, the District did not pass its permanent appropriations until April 2005. In fiscal year 2006, the District passed permanent appropriations for all fund types before October 1, thus eliminating the citation for fiscal year 2006.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 18, 2006**