UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY SINGLE AUDIT JULY 1, 2008 - JUNE 30, 2009



Mary Taylor, CPA Auditor of State

Board of Education Upper Arlington City School District 1950 North Mallway Drive Upper Arlington, Ohio 43221

We have reviewed the *Independent Auditors' Report* of the Upper Arlington City School District, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Upper Arlington City School District is responsible for compliance with these laws and regulations.

Mary Taylor, CPA Auditor of State

Mary Taylor

November 5, 2009



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Board of Education Upper Arlington City School District 1950 North Mallway Upper Arlington, Ohio 43221

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each discretely presented component unit, its 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 fiscal year ended June 30, 2009, 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, each discretely presented component unit, its major fund, and the aggregate remaining fund information of the Upper Arlington City School District, Franklin County, Ohio as of June 30, 2009, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Centered in the AICPA Statements on Auditing Standards".

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2009, on our consideration of the District's internal control over financial reporting and on 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.

Wilson, Shannon & Snow, Inc.

Upper Arlington City School District Franklin County Independent Auditors' Report

Wilson, Shanna ESun, Inc.

Management's Discussion and Analysis and the budgetary comparison schedule for the general fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America 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 accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and 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 audit 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 financials statements taken as a whole.

Newark, Ohio October 10, 2009

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, 2009.

Financial Highlights

The District's net assets are \$72,151,810 as of June 30, 2009 according to the Statement of Net Assets. This represents an increase of \$11,900,029 or 19.8% from last year.

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

The General Fund reported a positive fund balance of \$48,535,179. However, included within this balance is approximately \$24.1 million in tax revenues intended to finance next year's operations. Under accrual accounting, monies certified as being available for advance by the County Auditor, as of fiscal year end, are recognized as revenues within that fiscal year. On a budgetary basis these monies are intended to finance the following year.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the District's Most Significant Fund

Fund Financial Statements

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$72,151,810 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 (30.1%) reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2009 to 2008 follows from the Statements of Net Assets:

Net Assets

	Governmental Activities			
		2009		2008
Current assets	\$	112,517,589	\$	105,426,517
Capital assets		51,338,547	_	48,785,811
Total assets		163,856,136		154,212,328
Current liabilities		53,498,635		55,034,800
Long-term liabilities		38,205,691		38,925,747
Total liabilities	_	91,704,326	_	93,960,547
Net Assets:				
Invested in capital				
assets, net of debt		21,716,197		17,462,386
Restricted		5,605,078		7,795,875
Unrestricted		44,830,535		34,993,520
Total net assets	\$	72,151,810	\$	60,251,781

A portion of the District's net assets (7.8%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Changes in Net Assets

Governmental Activities

Program revenues:		2009		2008
Charges for services and sales	\$	5,256,012	\$	5,016,787
Operating grants and contributions		3,344,306		3,509,216
General revenues:				
Property taxes		71,610,714		63,090,620
Grants and entitlements		14,107,217		12,663,435
Investment earnings		1,143,736		1,752,252
Miscellaneous		1,044,717		1,356,334
Total revenues		96,506,702		87,388,644
Program expenses:				
Instructional		47,625,837		46,257,421
Support services		27,943,023		25,715,678
Extracurricular student activities		2,862,449		2,770,791
Food services		1,408,322		1,290,775
Community services		3,183,204		2,759,582
Interest on long-term debt		1,583,838		1,574,266
Total expenses		84,606,673		80,368,513
Change in net assets		11,900,029		7,020,131
Net assets at the beginning of year	_	60,251,781	_	53,231,650
Net assets at end of year	\$	72,151,810	\$	60,251,781

Governmental Activities

In 2009, net assets of the District's governmental activities increased by \$11,900,029. Approximately \$4.5 million of this increase was expected due to a full year's collection of the November 2007 operating and permanent improvements levy. The remaining increase was the result of the timing of the certification of revenues by the County. In Ohio, the portion of property taxes legally available as an advance, on the future August real estate settlement, by June 30 is reported as revenue on both the full accrual and modified accrual basis of accounting. Thus, in the previous years 2008 and 2007 Franklin County certified that the amount of taxes available for advance was approximately \$21.9 million and \$22.5 million respectively; whereas, the amount available for advance at June 30, 2009 was approximately \$26.3 million. On a budget basis (cash basis), taxes decreased by approximately \$5.9 million due to the timing of receipts.

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.

		2009		<u>2008</u>		
	Total Cost of Se	rvice Net Cost of Service	ce Total Cost of Servi	ce Net Cost of Service		
Programs						
Instructional services	\$ 47,625,83	\$ 46,722,750	\$ 46,257,421	\$ 45,145,579		
Support services	27,943,02	26,451,722	25,715,678	24,312,400		
Extracurricular student activities	2,862,44	1,154,900	2,770,791	1,147,432		
Food service operations	1,408,32	22 52,457	1,290,775	28,326		
Community services	3,183,20	40,688	2,759,582	(365,493)		
Interest on long-term debt	1,583,83	1,583,838	1,574,266	1,574,266		
Total	\$ 84,606,67	<u>\$ 76,006,355</u>	\$ 80,368,513	\$ 71,842,510		

Local property taxes make up 74.2% of total revenues for governmental activities. The net cost of service column reflecting the need for \$76,006,355 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 \$55,915,884, which represents an increase of \$8,621,376 as compared to last year's total of \$47,294,508 according to the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The schedule below shows the fund balances and the total change in fund balances from June 30, 2009 to 2008.

	Fu	nd Balance at	Fu	nd Balance at	Increase
	Jι	ine 30, 2009	Ju	ıne 30, 2008	(Decrease)
General Fund Other Governmental Funds	\$	48,535,179 7,380,705	\$	38,206,657 9,087,851	\$ 10,328,522 (1,707,146)
Total	\$	55,915,884	\$	47,294,508	\$ 8,621,376

General Fund

The District's General Fund balance increased as a result of revenues outpacing expenditures. However the increase was larger than as expected because of the timing of the certification of revenues by the County, as previously discussed. In Ohio, the portion of property taxes legally available as an advance, on the future August real estate settlement by June 30, is reported as revenue on both the full accrual and modified accrual basis of accounting. This timing resulted in an approximate \$3.9 million increase in property tax revenues for the general fund.

Other Governmental Funds

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds decreased by \$1,707,146. The decrease is primarily related to the spending down of available capital projects money for various permanent improvement projects.

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

2009		2008	% Change
\$ 65,607,013	\$	58,557,591	12.04%
14,257,603		12,786,220	11.51%
1,066,490		1,692,609	-36.99%
 869,940		1,033,263	- <u>15.81</u> %
\$ 81,801,046	\$	74,069,683	<u>10.44</u> %
\$	\$ 65,607,013 14,257,603 1,066,490 869,940	\$ 65,607,013 \$ 14,257,603	\$ 65,607,013 \$ 58,557,591 14,257,603 12,786,220 1,066,490 1,692,609 869,940 1,033,263

In total, overall revenues increased resulting from the increase in property taxes as discussed earlier. Intergovernmental revenues increased 11.51% from fiscal 2008 due primarily due to the increase payments by the State in conjunction with the phase out of the tangible personal property tax.

As the table below indicates, the largest portion of General Fund expenditures at 62.8% is for instructional services.

Expenditures by Function			
	2009	2008	% Change
Instructional services	\$ 44,853,613	\$ 43,452,534	3.22%
Support services	25,453,373	24,307,001	4.72%
Co-curricular student activities	1,071,988	1,013,164	5.81%
Debt Service		 349,714	-100.00%
Total	\$ 71,378,974	\$ 69,122,413	<u>3.26</u> %

Total general fund expenditures increased 3.26% over the prior year.

General Fund Budget Information

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

During the course of fiscal year 2009, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues (certified revenues plus other financing sources) of \$77,113,012 were \$663,569 higher than the original budgeted revenues estimate of \$76,449,443. The actual budget basis revenues and other financing sources for fiscal year 2009 totaled \$70,457,024, which was \$6,655,988 less than the final budget revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$75,230,238 were decreased to \$73,864,494 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$72,729,885, which was \$1,134,609 less than the final budget appropriations.

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

• Revenues

The variance in property taxes related to the original budget, final budget and actual amounts is due to timing of payments from the County. The District expected an additional \$7.3 million in June tax receipts; however, the \$7.3 million was not received until July (new fiscal year).

Expenditures

Overall, the variance between actual expenditures and the final budget was less than three percent of the total budget which is acceptable to District management.

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

Capital Assets

At June 30, 2009 the District has \$51,338,547 invested in capital assets net of accumulated depreciation. The following table shows fiscal year 2009 and 2008 balances:

	Governmen	_	
	2009	2008	Increase (Decrease)
Land	\$ 244,883	\$ 244,883	\$ 0
Construction in progress	4,142,603	213,996	3,928,607
Land improvements	2,353,000	2,353,000	0
Building and improvements	73,839,076	73,187,347	651,729
Furniture, fixtures and			
equipment	6,419,070	6,301,682	117,388
Vehicles	2,095,277	2,041,029	54,248
Less: Accumulated			
depreciation	(37,755,362)	(35,556,126)	(2,199,236)
Totals	\$ 51,338,547	\$ 48,785,811	\$ 2,552,736

The increase in construction in progress is related to the permanent improvement projects for Greensview and Barrington Elementary schools as well as the high school. Total costs for these projects are estimated to be approximately \$6,250,000.

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

Debt

On June 30, 2009, the District had \$32,124,745 in long-term bonds outstanding. Additionally, the District has a short term note payable of \$2,605,000. The District paid \$1,705,000 in principal on bonds outstanding. Detailed information regarding long-term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2009, the District's general obligation debt was below the legal limit.

Component Units

Included within the Districts reporting entity are the following Component units:

- The Upper Arlington International Baccalaureate High School
- The Upper Arlington Community High School
- The Upper Arlington Wickliffe Progressive Community School

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

- The Upper Arlington International Baccalaureate High School (IB School) is a legally separate not-for-profit served by an appointed board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The IB School aims to develop inquiring, knowledgeable and caring young people who help create a better and more peaceful world through intercultural understanding and respect. The IB School develops the whole student, helping students to grow intellectually, socially, aesthetically and culturally. A liberal arts education is provided including science and the humanities, languages, mathematics, technology and the arts. The educational program teaches students to think critically and encourages them to draw connections between areas of knowledge and use problem-solving techniques and concepts from the many disciplines. The IB School is approved by the International Baccalaureate Organization and offers an International Baccalaureate Diploma Programme. The IB School is intended to serve junior and senior level students who reside within the Upper Arlington City School District.
- The Upper Arlington Community High School (UACHS) is a legally separate not-for- profit served by an appointed board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The UACHS offers students an academically integrated, student-centered, technologically innovative, hands-on approach to learning with an emphasis on intellectual rigor. Its intent is to provide students with an understanding of the important role of community, on both a large and small scale, encouraging them to be active participants in both student governance and service leaning projects. The educational program teaches students to think critically, to be reflective, to draw connections between subject areas, to use problem-solving approaches to extend their thinking, and to express themselves confidently through academic discourse as well as through creative expression. The goal is to produce a student who feels he or she is an integral part of a caring school community and who is an independent, self-motivated and self disciplined lifelong learner. The UACHS is intended to serve freshman through senior level students who reside within the Upper Arlington City School District and who are interested in pursuing an alternative schooling option. In fiscal year 2008, the school's enrollment consisted of junior and senior grade level students. The freshmen grade level was added in fiscal year 2009.

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

Economic Factors

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

Contacting the District's Financial Management

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

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UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY, OHIO STATEMENT OF NET ASSETS JUNE 30, 2009

GOVERNMENT ACTIVITIES	<u> </u>
	159
	159
ASSETS:	159
Equity in pooled cash & investments \$ 49,498,	
Cash and cash equivalents in segregated accounts	450
Restricted cash 285,	
Receivables 61,785,	831
Due from other:	000
Governments 625,	
Inventory 108,	
Deferred charges 214,	
Land and Construction in Progress 4,387,	
Depreciable capital assets, net of accumulated deprecation 46,951,	
TOTAL ASSETS 163,856,	136
LIABILITIES:	
	240
Accounts payable 1,588,	
Retainage payable 258,3	
Due to other governments 2,505,	
Accrued interest payable 125,	
Unearned revenue 39,527,	
Accrued liabilities 6,888,	
Note payable 2,605,	000
Long-term Liabilities:	(17
Due within one year 2,309,	
Due in more than one year 35,896,	
TOTAL LIABILITIES 91,704,	326
NET ASSETS	
	107
Invested in capital assets, net of related debt 21,716, Restricted for:	197
	152
Budget stabilization 285,	
Debt service 834,	
Capital projects 1,307,	
Other purposes 3,178,	
Unrestricted 44,830,	333
TOTAL NET ASSETS \$ 72,151,	810

Component Units						
INTERNATIONAL BACCALAUREATE		COMMUNITY HIGH SCHOOL	WICKLIFFE PROGRESSIVE COMMUNITY			
\$	8,975 -	\$ - 10,438	\$ - 56,693			
	- - -	- 176	4,660			
	26,044 35,019	112,112 122,726	91,920 153,273			
	988	122,720	4,722			
	- - -	- - -	- - -			
		-	-			
	988		4,722			
	26,044	112,112	91,920			

7,987

34,031

56,631

148,551

10,614

122,726

UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY, OHIO STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2009

			Program Revenues			
	Expenses		Charges for Services and Sales		Operating Grants and Contribution	
Governmental Activities						
Instructional services:						
Regular	\$	39,237,143	\$	10,350	\$	55,839
Special		8,238,955		105,275		731,623
Vocational		149,739		-		_
Support services:				-		-
Operation and maintenance of plant		6,552,499		-		21,568
General administration		5,612,658		_		351,368
Business operations		4,103,376		-		-
Pupils		1,352,879		:		14,122
Fiscal services		443,495		-		-
Instructional staff		6,228,443		-		453,727
Student transportation		1,623,178		2,200		601,065
Central services		1,983,973		-		47,251
Board of Education		42,522		-		-
Extracurricular student activities		2,862,449		1,707,549		-
Food Service operations		1,408,322		1,290,197		65,668
Community services		3,183,204		2,140,441		1,002,075
Interest on long-term debt		1,583,838		-		-
Total Primary Governmental Activities	\$	84,606,673	\$	5,256,012	\$	3,344,306
Component Units:						
International Baccalaureate	\$	339,710	\$	69,469	\$	3,000
Community High School	\$	442,346	\$	500	\$	3,000
Wickliffe Progressive Community School	\$	2,906,749	\$	19,960	\$	80,357

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

Net (Expense) Revenue and Changes in Net Assets

	Primary			Com	ponent Units				
	overnment - overnmental	Int	ernational	Com	munity High	Wickl	Wickliffe Progressive		
U	Activities	Baccalaureate		Com	School		munity School		
\$	(39,170,954)								
	(7,402,057)								
	(149,739)								
	(6,530,931)								
	(5,261,290)								
	(4,103,376)								
	(1,338,757) (443,495)								
	(5,774,716)								
	(1,019,913)								
	(1,936,722)								
	(42,522)								
	(1,154,900)								
	(52,457)								
	(40,688)								
_	(1,583,838)								
\$	(76,006,355)								
		\$	(267,241)						
				\$	(438,846)				
						\$	(2,806,432)		
	71,610,714		_		-		_		
	14,107,217		257,988		346,442		2,627,782		
	1,143,736		-		-		-		
	1,044,717		_						
-	87,906,384		257,988		346,442		2,627,782		
	11,900,029		(9,253)		(92,404)		(178,650)		
	60,251,781		43,284		215,130	<u></u>	327,201		
\$	72,151,810	\$	34,031	\$	122,726	\$	148,551		

UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY, OHIO BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2009

A CCEPTE	(GENERAL	GOV	OTHER ERNMENTAL FUNDS		TOTAL
ASSETS:	•	20.040.050	•	0.400.000	•	10.100.150
Equity in pooled cash and investments	\$	39,868,079	\$	9,630,080	\$	49,498,159
Receivables		56,699,243		5,082,685		61,781,928
Due from other:				(25.000		(27.000
Governments		-		625,939		625,939
Funds		3,903				3,903
Inventory		35,509		72,642		108,151
Restricted assets:						
Equity in Pooled Cash and investments		285,453		-		285,453
TOTAL ASSETS	\$	96,892,187	\$	15,411,346	\$	112,303,533
LIABILITIES:						
Accounts payable		746,147		1,100,316		1,846,463
Due to other:		, 10,11,		1,100,510		1,010,103
Governments		2,421,677		83,518		2,505,195
Deferred revenue		38,574,500		3,968,068		42,542,568
Accrued liabilities		6,614,684		273,739		6,888,423
Note payable		-		2,605,000		2,605,000
TOTAL LIABILITIES		48,357,008	-	8,030,641	-	56,387,649
		10,557,000		0,030,011		20,207,012
FUND BALANCES:						
Fund balances:						
Reserved for encumbrances		671,030		2,885,459		3,556,489
Reserved for inventory		35,509		72,642		108,151
Reserved for future appropriations		24,117,800		2,136,800		26,254,600
Reserved for budget stabilization		285,453		2,120,000		285,453
Unreserved - Designated for		200,100				200,100
budget stabilization		926,016		_		926,016
Unreserved, undesignated, reported in:		720,010				720,010
General fund		22,499,371		_		22,499,371
Special Revenue funds		22,455,571		2,750,616		2,750,616
Debt Service fund		-		2,080,259		2,080,259
Capital Projects funds		-		(2,545,071)		(2,545,071)
TOTAL FUND BALANCES		48,535,179		7,380,705		55,915,884
TOTAL FULL DALIANCES		70,333,179		7,360,703		33,313,004
TOTAL LIABILITIES & FUND BALANCES	\$	96,892,187	\$	15,411,346	\$	112,303,533

UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY, OHIO RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES JUNE 30, 2009

Total Governmental Fund Balances	\$ 55,915,884
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	51,338,547
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	3,014,768
Deferred charges are not recognized in the funds.	214,056
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable	(125,754)
Compensated absences	(6,080,946)
Bonds payable	 (32,124,745)
Net Assets of Governmental Activities	\$ 72,151,810

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		GENERAL	GOV	OTHER ERNMENTAL FUNDS		TOTAL
REVENUES:	V		-			
Property taxes	\$	65,607,013	\$	5,781,514	\$	71,388,527
Intergovernmental:				1 100 010		1 100 010
Federal Restricted Grants-in-aid		-		1,498,040		1,498,040
State:		14 227 440		700 200		15 005 500
Unrestricted Grants-in-aid		14,237,449		790,289		15,027,738
Restricted Grants-in-aid		20,154		1,106,127		1,126,281
Investment income		1,066,490		77,246		1,143,736
Charges for services		154 200		3,595,271		3,595,271
Co-curricular activities Tuition fees		154,398		1,323,359		1,477,757 118,003
Other		118,003 597,539		508,993		1,106,532
TOTAL REVENUES	-	81,801,046		14,680,839	-	96,481,885
TOTAL REVENUES	-	81,801,040		14,000,039	:(90,461,663
EXPENDITURES:						
Current:						
Instructional services:						
Regular		37,080,311		590,931		37,671,242
Special		7,623,563		475,210		8,098,773
Vocational		149,739		=		149,739
TOTAL INSTRUCTIONAL SERVICES		44,853,613		1,066,141		45,919,754
Support services:						
Operation and maintenance of plant		6,471,205		21,469		6,492,674
School administration		4,206,666		492,941		4,699,607
Pupils		4,101,306		60,904		4,162,210
Fiscal		1,297,778		53,599		1,351,377
		470,036		123,478		593,514
Business operations				489,465		6,069,882
Instructional staff		5,580,417 1,579,607		33,153		1,612,760
Student transportation Central services				272,604		1,976,440
General administration		1,703,836 42,522		272,004		42,522
TOTAL SUPPORT SERVICES		25,453,373		1,547,613	_	27,000,986
TOTAL SUFFORT SERVICES	-			1,547,015		27,000,980
Co-curricular student activities		1,071,988		1,587,164		2,659,152
Community services		-		3,211,263		3,211,263
Food service		-		1,385,382		1,385,382
Capital outlay		-		4,703,332		4,703,332
Debt service:						
Principal retirement		-		1,705,000		1,705,000
Interest				1,281,394		1,281,394
TOTAL EXPENDITURES		71,378,974		16,487,289		87,866,263
Excess (deficiency) of revenues over expenditures		10,422,072		(1,806,450)		8,615,622
OTHER FINANCING SOURCES (USES):						
Premium on issuance of notes				5,754		5,754
Proceeds of refunding bonds		-		.=		
Inception of capital leases		-				•
Payment to refunded bond escrow agent		-		-		-
Transfers in				97,550		97,550
Transfers out		(93,550)		(4,000)		(97,550)
TOTAL OTHER FINANCING SOURCES (USES)	_	(93,550)		99,304		5,754
Change in Net Assets		10,328,522		(1,707,146)		8,621,376
FUND BALANCES AT BEGINNING OF YEAR		38,206,657		9,087,851		47,294,508
FUND BALANCES AT END OF YEAR	\$	48,535,179	\$	7,380,705	\$	55,915,884

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, 2009

\$ 8,621,376

Net Changes in Fund Balances - Total Governmental Funds

g	+ -,,
Amounts reported for governmental activities in the	
statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in	
the statement of activities, the cost of those assets is allocated over	
their estimated useful lives as depreciation expense. This is the amount	
by which depreciation exceeded capital outlays in the current period.	
Capital outlay \$4,762,268	
Depreciation $(2,206,944)$	2,555,324
The net effect of various miscellaneous transactions involving capital assets (i.e.,	
sales, disposals, trade-ins, and donations) is a decrease to net assets	
Capital asset disposals \$ (10,296)	
Disposal depreciation 7,708	(2,588)
Revenues in the statement of activities that do not provide current financial	
resources are not reported as revenue in the funds.	21,651
•	
Repayment of principal on debt obligations is an expenditure in governmental fund,	
but the repayment reduces long-term liabilities in the statement of net assets	
and does not result in an expense in the statement of activities.	1,705,000
Some expenses reported in the statement of activities do not require the	
use of current financial resources and therefore are not reported	
as expenditures in governmental funds.	
Compensated absences	(698,290)
Accretion	(299,854)
Amortization, net	(3,925)
Interest expense	1,335
Change in Net Assets of Governmental Activities	\$ 11,900,029

UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY, OHIO STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUND JUNE 30, 2009

A CODUTTO		AGENCY FUND
ASSETS:		
Equity in pooled cash and investments	\$	376,527
Accounts receivable		7,016
TOTAL ASSETS	\$	383,543
LIABILITIES:		
Accounts payable	\$	17,444
Accrued wages		37
Due to other:		
Funds		3,903
Student Activities		171,930
Others	-	190,229
TOTAL LIABILITIES	\$	383,543

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009

1. Description of the School and Reporting Entity

The Upper Arlington City School District, Franklin County, Ohio (the District) was organized in 1918 and is a fiscally independent political subdivision of the State of Ohio, Franklin County, Ohio. The District is governed by a five-member board of education (the Board) elected by the citizens of Upper Arlington. The District is comprised of 8 schools and other buildings and departments that employ approximately 815 employees. Our student population is 5,482 students, excluding Community Schools' enrollment.

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

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

Included within the District's reporting entity are the following discretely presented Component units:

- The Upper Arlington International Baccalaureate High School (IB School)
- The Upper Arlington Community High School
- The Upper Arlington Wickliffe Progressive Community School

The IB School is a legally separate not-for-profit served by an appointed Board of Directors and is a discretely presented component unit of the Upper Arlington City School District (the "Sponsor"). The IB School is a two-year comprehensive curriculum for grades 11 and 12, with an enrollment of 45 students, that seeks to prepare students for post-secondary study through courses and instructional techniques that emphasize:

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

The Upper Arlington Community High School (UACHS) is a legally separate non-for-profit served by an appointed Board of Directors. It is intended to serve students who reside within the Upper Arlington City School District interested in pursuing an alternative schooling option. In the 2008-2009 school year, enrollment consisted of 57 students. The UACHS is a discretely presented component unit of the Upper Arlington City School District (the "Sponsor").

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

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

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

The WPC School is intended to serve kindergarten through fifth grade level students who reside within the Upper Arlington City School District and who are interested in pursuing an alternative schooling option. The WPC School is a discretely presented component unit of the Upper Arlington City School District (Sponsor). Enrollment in 2008-09 was 437 students.

Separately, issued financial statements for each component unit maybe obtained from the Upper Arlington City School District, 1950 North Mallway, Upper Arlington, Ohio 43221.

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

JOINT VENTURE WITHOUT EQUITY INTEREST

Rockbridge Academy

The Rockbridge Academy is a joint venture consisting of a consortium of six school districts. The District does not have an ongoing financial obligation to support the Rockbridge Academy's operations. See Note 12 to the basic financial statements.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

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

Additionally, within the School District boundaries, St. Agatha, St. Andrew, 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 funds for reporting purposes.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

2. Summary of Significant Accounting Policies

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

(A) Basis of Presentation

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

Government-wide and fund financial statements

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

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

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

(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.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (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:

<u>General Fund</u> – 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 District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two significant agency funds. These include an agency fund to account for student-managed activity programs and also a employee benefit agency fund which is used as a clearance account for retirement and insurance withholding payments. The District has not established any of the above trust funds.

(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 District are included on the Statement of Net Assets.

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

Fiduciary funds are reported using the economic resources measurement focus.

(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.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

2. Summary of Significant Accounting Policies (Continued)

<u>Revenues – Exchange and Non-exchange Transactions</u>

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.

Unearned Revenue

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

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

Expenditures/Expenses

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (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. The amounts reported as the final budgeted amounts in the budgetary schedule reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

Appropriations:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (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.

<u>Lapsing of Appropriations:</u>

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 Investments".

During fiscal year 2009, investments were limited to repurchase agreements, certificates of deposits, and STAR Ohio.

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

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2009. 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, 2009.

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$1,066,490.

(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.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

2. Summary of Significant Accounting Policies (Continued)

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a 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

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

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

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

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

(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.

(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.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

2. Summary of Significant Accounting Policies (Continued)

District employees are granted vacation, personal leave, and sick leave in varying amounts. All leave will either be absorbed by time off from work, or with certain limitations, be paid to the employees when their employment ceases. Sick leave benefits are only paid upon retirement at the rate of 25% up to a maximum amount of days as determined by negotiated agreements with the two bargaining units and Board policy for all other employees. The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The noncurrent portion of the liability is not recorded. The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

(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 government-wide statement of net assets reports \$5,605,078 of restricted net assets, of which none is restricted by enabling legislation.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

2. Summary of Significant Accounting Policies (Continued)

(M) Fund Balance Reservations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, inventory, property taxes for future appropriations and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property taxes for future appropriations represents taxes recognized as revenue under GAAP but not available for appropriations under state statute. The amount set-aside by the Board for budget stabilization is reported as a designation of fund balance in the general fund. (See Note 15).

(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.

(O) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

(P) Unamortized Issuance Costs/Bond Premium

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

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

(Q) Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets are attributed to unspent monies received related to the Bureau of Workers Compensation refund.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

3. Change in Accounting Principles

For fiscal year 2009, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the District's financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the District's financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the District's financial statements.

4. Deposits and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

4. Deposits and Investments (Continued)

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

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

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

Interim monies may be invested in the following obligations:

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but 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;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; The State Treasurer's investment pool (STAR Ohio);
- 6) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

4. Deposits and Investments (Continued)

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

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2009, the District and public depositories complied with the provisions of these statutes.

At year-end, the carrying amount of all District deposits was \$44,698,388, exclusive of \$13,762 in cash on hand. The combined bank balance was \$44,989,877 of which \$35,471,443 was covered by FDIC insurance and \$9,518,434 was uninsured. Of the remaining uninsured bank balance, all was collateralized with eligible securities held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits are also collateralized with specific collateral held at the Federal Reserve Bank in the name of the District.

Investments:

As of June 30, 2009, the District had the following investments:

<u>Type</u>	Fair Value	Maturity (Days)
STAR Ohio	\$4,095,989	58.1
Repurchase Agreement*	1,352,000	Less than 1 year
Total Investments	<u>\$5,447,989</u>	

^{*} Underlying securities are guaranteed by the US government.

Interest Rate Risk

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

4. Deposits and Investments (Continued)

Credit Risk

The District's investments, as discussed above were rated A-1+ and P-1 by Standard and Poor's and Moody's Investor Services, respectively. Standard and Poor's has assigned STAROhio an AAAm money market rating.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's total investments, 24.8% are included in the repurchase agreement, while 75.2% is in STAROhio.

Component Unit Cash and Cash Equivalents

At June 30, 2009, the carrying amount of all component unit deposits was \$76,106. The bank balance was \$77,129, which was covered by the Federal Deposit Insurance Corporation.

5. Receivables

Receivables at June 30, 2009, consist of the following:

Governmental activites:	Taxes	Interest	Other	Totals		
General	\$ 56,375,500	\$ 311,641	\$ 12,102	\$ 56,699,243		
Other governmental funds	5,075,500		7,185	5,082,685		
Total	61,451,000	311,641	19,287	61,781,928		
Due from other funds reclassification				3,903		
Total Governmental Activities	\$ 61,451,000	\$ 311,641	\$ 19,287	\$ 61,785,831		

6. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2009, follows:

		Balance					_	Balance
	Ju	ine 30, 2008	_	Additions	Di	sposals	Ju	ine 30, 2009
Governmental Activities Cost								
Land (not being depreciated)	\$	244,883	\$	-	\$	-	\$	244,883
Construction in progress		213,996		3,928,607		-		4,142,603
Land improvements		2,353,000		-		-		2,353,000
Building and improvements		73,187,347		651,729		-		73,839,076
Furniture, fixtures and equipment		6,301,682		127,684		10,296		6,419,070
Vehicles		2,041,029		54,248				2,095,277
Total at cost		84,341,937	_	4,762,268		10,296	_	89,093,909
Less accumulated depreciation								
Land improvements		1,293,620		100,090		-		1,393,710
Building and improvements		28,138,292		1,552,078		-		29,690,370
Furniture, fixtures and equipment		4,908,479		425,432		7,708		5,326,203
Vehicles		1,215,735		129,344				1,345,079
Total accumulated depreciation		35,556,126		2,206,944		7,708	_	37,755,362
Capital assets, net	\$	48,785,811	\$	2,555,324	\$	2,588	\$	51,338,547

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

6. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$1,724,931
Special	27,681
Support services:	
Pupils	15,671
Instructional staff	2,686
Administration	38,315
Operation and maintenance of	
plant	84,769
Student transportation	89,760
Extra-curricular activities	207,109
Community Service	520
Food service operations	15,502
Total depreciation expense	\$2,206,944

Construction in progress of \$4,142,603 is for building projects for additions to the Greensview and Barrington Elementary schools as well as various High School improvements. Total cost for these projects are estimated at approximately \$6,250,000.

7. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2009, follows:

Debt Issuance	Issued	7/1/2008 Balance	Additions	Deletions	6/30/2009 Balance	Due within 1 yr
1996 Building Improvement Bonds	1997	\$ 174,366	\$ -	\$ -	\$ 174,366	\$ -
1996 Bonds Interest Accretion	1997	2,822,901	166,178	-	2,989,079	
General Obligation Bonds Payable		2,997,267	166,178		3,163,445	
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2005 Refunding Issue Bonds	2005	29,830,000	-	1,705,000	28,125,000	1,790,000
Premium on Refunding Bonds	2005	1,615,872	-	115,420	1,500,452	115,420
Deferred Amount on Refunding	2005	(1,431,080)	-	(102,220)	(1,328,860)	(102,220)
2005 Bonds Interest Accretion	2005	531,032	133,676	-	664,708	-
Refunding Bonds Payable		30,545,824	133,676	1,718,200	28,961,300	1,803,200
Compensated Absences	N/A	5,382,656	1,235,461	537,171	6,080,946	506,447
Total Long-Term Obligations		\$38,925,747	\$ 1,535,315	\$2,255,371	\$38,205,691	\$2,309,647

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

7. Long-Term Obligations (Continued)

The annual maturities of the general obligation bonds (at par) as of June 30, 2009, and related interest payments are as follows:

Year ending June 30,	Interest rate (%)	 Principal	 Interest
2010	3.0 - 5.25	\$ 1,790,000	\$ 1,165,581
2011	3.0 - 5.25	703,556	2,286,863
2012	2.75 - 5.25	277,919	2,779,325
2013	2.75 - 5.25	1,377,902	1,718,918
2014	2.75 - 5.25	1,402,493	1,741,508
2015 - 2019	5.0 - 5.25	10,897,496	5,178,754
2020 - 2023	5.0 - 5.25	11,850,000	1,198,000
Total		\$ 28,299,366	\$ 16,068,949

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, 2009 the District's total net debt was 1.78% of the total assessed value of all property within the District.

8. Capital Lease Obligation

The District had no capital lease obligations as of June 30, 2009.

9. Notes Payable

The District issued \$2,100,000 in tax anticipation notes (TAN) and \$505,000 in Energy Conservation notes in fiscal year 2009. The TAN's and notes were issued to fund permanent improvements. The TAN was issued on June 25, 2009 with a stated rate of interest of 2.0%. The TAN matures on June 24, 2010. The conservation note was issued on December 9, 2008 with a stated rate of interest of 3.5%. The Note matures on December 8, 2010. The government-wide and fund financial statements reflect notes payable of \$2,605,000.

A summary of the note activity for the fiscal year ended June 30, 2009 follows:

Outstanding Issued		Retired	Outstanding				
July 1, 2008	2009	2009	June 30, 2009				
\$ 2.500,000	\$ 2.605.000	\$ 2.500.000	\$ 2,605,000				

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

10. Defined Benefit Pension Plans

State Teachers Retirement System

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

10. Defined Benefit Pension Plans (Continued)

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

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

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$5,761,764, \$4,955,139, and \$5,097,000, respectively; 87.42% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007. \$715,415 representing the unpaid contribution for fiscal year 2009 is recorded as a liability within the respective funds. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$1,418,450, \$1,227,360, and \$1,332,000, respectively; 0% has been contributed for fiscal year 2009 and 100% for fiscal year 2008 and 2007. \$1,418,450 representing unpaid contributions for fiscal year 2009 is recorded as a liability within the respective funds.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

11. Postemployment Benefits Other Than Pension Benefits

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

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

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2009, 2008, and 2007, the District's contributions to post-employment health care were \$411,555, \$381,165, and \$364,071; respectively. 87.59% has been contributed for 2009 and 100% for fiscal years 2008 and 2007.

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees. The Health Care Plan provides health care and prescription drug plans administered by two third-party administrators. The Retirement Board establishes rules for premiums paid by retirees for health care coverage and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The Medicare Part B premium reimbursement plan reimburses eligible retirees for the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2008 (most recent information available) was \$93.50. SERS' reimbursement to retirees was \$45.50. The Retirement Board, with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2008 (most recent information available) the actuarially required allocation was .68%. For the fiscal years ended June 30, 2009, 2008, and 2007 the District's contributions to Medicare Part B were \$62,344, \$59,614, and \$64,696, respectively. 87.59% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

The Health Care Plan is funded through employer contributions. Each year after allocation for required benefits the Retirement Board allocates the remainder of the employers' 14% contribution. At June 30, 2008 (the most recent information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of December 31, 2007 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008 (most recent information available), the minimum compensation level was established at \$35,800.

For fiscal year ended June 30, 2009, the District contribution to the Health Care Plan, including the surcharge, was \$501,621; 87.59% has been contributed for fiscal year 2009.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

12. 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. The Academy is independent upon continued support of the member schools as it is not independently accumulating adequate financial resources. The Educational Service Center of Franklin County (ESC) is the fiscal agent for the Academy. Further detailed financial information may be obtained by contacting the ESC.

13. Property Taxes

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

Property taxes include amounts levied against all real, public utility property, and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received in calendar 2009 (other than public utility property tax) represents the collection of calendar year 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out — with the assessed percentage for all property including inventory having been reduced from 12.5% in 2007 to 0% for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2009 and for which there is an enforceable legal claim.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

13. Property Taxes (Continued)

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

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

Real Estate	\$ 1,575,341,520
Public Utility	11,518,010
Tangible Property	1,403,513
Total	\$ 1,588,263,043

14. Contingent Liabilities

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

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

15. Set-Aside Calculations

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The budget stabilization reserve is optional; however, the Board elected to continue the reserve as permitted by law. The designated budget stabilization reflects the monies designated by the by the Board of Education for additional contributions above and beyond the required reserve amount.

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

15. Set-Aside Calculations (Continued)

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

	Textbooks/ Instructional	Capital	Budget Stabilization				
	Materials	<u>Acquisition</u>	De	esignated	Reserved		
Set-aside cash balance as of	Φ (4. 2.4E, COO)	¢	φ	006.046	\$205.452		
June 30, 2008	\$(1,345,609)	\$ -	\$	926,016	\$285,453		
Current year set-aside requirement	833,768	833,768		-	-		
Current year offsets	-	(5,453,229)		-	-		
Qualifying disbursements	(1,477,302)	(151,867)					
Total	\$(1,989,143)	\$ (4,771,328)	\$	926,016	\$285,453		
Balance carried forward to FY 2010	\$(1,989,143)	\$ -	\$	926,016	\$285,453		

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

A schedule of the General fund restricted assets at June 30, 2009 follows:

Amount restricted for BWC refunds	\$ 285,453
Total restricted assets	\$ 285,453
Amount designated for budget stabilization	\$ 926,016

16. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009 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 \$100,000 public official bond for the Treasurer and Business Manager.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2009 (Continued)

17. Interfund Transactions

A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following amounts due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	District Agency Fund	\$3,903

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the Statement of Net Assets.

B. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfers from the General fund to other governmental Special Revenue funds for \$93,550. Additionally, there was a transfer between other governmental special revenue funds for \$4,000.

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

UPPER ARLINGTON CITY SCHOOL DISTRICT BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Variance with

Property taxes			Bud	geted Amounts		Fir	riance with nal Budget - Positive/
Property taxes		Original		Final	Actual	((Negative)
State	REVENUES:						
Sinte- Urnestricted grants-in-aid 13,285,642 14,204,645 14,237,449 32,804 Restricted grants-in-aid 15,000 25,369 20,154 (5,215) Investment income 1,300,000 1,107,0000 1,112,831 42,831 17,010 1,000 1,112,831 42,831 1,000 1,000 1,112,831 42,831 1,000 1,000 1,112,831 42,831 1,000 1,000 1,112,831 42,831 1,000	* *	\$ 60,802,121	\$	60,929,655	\$ 54,206,013	\$	(6,723,642)
Commerce	Intergovernmental:						
Restricted grants-in-aid 15,000 25,569 20,154 (5,215) Investment income 1,300,000 1,070,000 1,112,831 42,831 Tuition fees 68,980 97,000 118,003 21,003 Co-curricular 151,400 150,000 53,760 3,760 Miscellancous 726,300 54,500 579,970 34,970 Total revenues 76,349,443 77,021,669 70,428,180 (6,593,489) EXPENDITURES: Instructional services: Regular 38,604,479 37,843,185 37,578,849 264,336 Special 6216,085 7,666,849 7,570,146 96,703 Vocational 1162,985 15,122 149,740 2,382 Total instructional services 44,983,549 45,662,156 45,298,735 363,421 Support services Fixed services Pupils 4,231,119 4,201,195 4,123,672 77,523 Instructional staff 6,809,702<	State-						
Investment income		13,285,642		14,204,645	14,237,449		32,804
Tuition fees 68,980 97,000 118,003 21,003 C0-curricular 151,400 150,000 153,760 3,760 Miscellaneous 726,300 545,000 579,970 34,970 Total revenues 76,349,443 77,021,669 70,428,180 (6,593,489) EXPENDITURES: Instructional services: Regular 38,604,479 37,843,185 37,578,849 264,336 Special 6216,085 7,666,849 7,570,146 96,703 Special 162,985 152,122 149,740 2,382 Total instructional services 44,983,549 45,662,156 45,298,735 363,421 Support services: Pupils 42,31,119 4,201,195 4,123,672 77,523 Instructional staff 6,809,702 5,896,062 5,762,479 133,583 Board of education 56,705 50,461 42,621 7,840 General administration 4,856,580 4,325,072 4,193,381 131,691 Fiscal services 16,43,060 1,388,592 1,323,340 35,252 Business 627,706 624,437 615,772 8,665 Operation and maintenance of plant 7,071,711 6,862,492 6,738,237 124,255 Student transportation 1,787,088 1,670,923 1,633,318 37,605 Central services 1,988,147 1,921,080 1,828,666 92,414 C0-curricular 1,037,321 1,184,474 1,076,114 108,360 Total support services 1,988,147 1,921,080 1,828,666 92,414 C0-curricular 1,037,321 1,184,474 1,076,114 108,360 Total support services 1,256,755 3,264,725 (2,208,155) (5,472,880) CTHER FINANCING SOURCES (USES): Refund of prior year expenditure 100,000 80,000 16,697 (63,303) Refund of prior year expenditures 100,000 80,000 1,6,007 (64,706) 48,499 Total expenditures 100,000 80,000 1,6,007 (63,303) Refund of prior year receipt (25,000) (5,000) - 5,000 Advances net - 11,343 12,147 804 Total other financing sources (uses) (37,550) (16,207) (64,706) (48,499) Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources over expenditure	Restricted grants-in-aid	15,000		25,369	20,154		(5,215)
Courricular Miscellaneous 151,400 miscellaneous 150,000 miscellaneous 137,60 miscellaneous 37,60 miscellaneous 37,60 miscellaneous 37,60 miscellaneous 37,60 miscellaneous 37,970 miscellaneous 34,970 miscellaneous 34,970 miscellaneous 37,701,166 miscellaneous 37,579,849 miscellaneous 46,336 miscellaneous 46,336 miscellaneous 46,336 miscellaneous 37,843,185 miscellaneous 37,878,849 miscellaneous 264,336 miscellaneous 46,000 miscellaneous 37,843,185 miscellaneous 37,570,146 miscellaneous 46,000 miscellaneous 46,000 miscellaneous 46,000 miscellaneous 37,843,185 miscellaneous 37,570,146 miscellaneous 46,000 miscellaneous 46,000 miscellaneous 46,000 miscellaneous 46,000 miscellaneous 46,000 miscellaneous 47,000 miscellaneous 42,000 miscellaneous 41,000 mis	Investment income	1,300,000		1,070,000	1,112,831		42,831
Miscellaneous 726,300 545,000 579,970 34,970 Total revenues 76,349,443 77,021,669 70,428,180 (6,593,489) EXPENDITURES: Instructional services: Secular 38,604,479 37,843,185 37,578,849 264,336 Special 6,216,085 7,666,849 7,570,146 96,703 Vocational 162,985 152,122 149,740 2,382 Total instructional services 44,983,549 45,662,156 45,298,735 363,421 Support services: Pupils 4,231,119 4,201,195 4,123,672 77,523 Instructional staff 6,809,702 5,896,062 5,762,479 133,583 Board of education 56,705 50,461 42,621 7,840 General administration 4,856,580 4,325,072 4,193,381 131,691 Fiscal services 1,643,060 1,538,592 1,323,340 35,252 Business 627,706 624,437 615,772 8,665 Sudent transportation 1,787,088	Tuition fees	68,980		97,000	118,003		21,003
Total revenues 76,349,443 77,021,669 70,428,180 (6,593,489)	Co-curricular	151,400		150,000	153,760		3,760
Page	Miscellaneous	 726,300		545,000	 579,970		34,970
Regular 38,604,479 37,843,185 37,578,849 264,336 Special 6,216,085 7,666,849 7,570,146 66,703 Vocational 162,985 152,122 149,740 2,382 Total Instructional services 44,983,549 45,662,156 45,298,735 363,421 Support services: Pupils 4,231,119 4,201,195 4,123,672 77,523 Instructional staff 6,809,702 5,896,062 5,762,479 133,583 Board of education 56,705 50,461 42,621 7,840 General administration 4,856,580 4,325,072 4,193,381 131,691 Fiscal services 1,643,060 1,358,592 1,323,340 35,252 Business 627,706 624,437 615,772 8,665 Operation and maintenance of plant 7,071,711 6,862,492 6,738,237 124,255 Student transportation 1,787,088 1,670,923 1,633,318 37,605 Central services 1,988,147 1,921,080 1,828,666 92,414 Co-curricular 1,037,321 1,184,474 1,076,114 108,360 Total support services 30,109,139 28,094,788 27,337,600 757,188 Total expenditures 75,092,688 73,756,944 72,636,335 1,120,609 Excess (deficiency of revenues over expenditure 100,000 80,000 16,697 (63,303) 63,000 75,000 75,000 77,185 74,000 75,0	Total revenues	76,349,443		77,021,669	70,428,180		(6,593,489)
Regular 38,604,479 37,843,185 37,578,849 264,336 Special 6.216,085 7,666,849 7,570,146 96,703 Vocational 162,985 152,122 149,740 2,382 Total instructional services 44,983,549 45,662,156 45,298,735 363,421 Support services: Pujls 4,231,119 4,201,195 4,123,672 77,523 Instructional staff 6,809,702 5,896,062 5,762,479 133,583 Board of education 56,705 50,461 42,621 7,840 General administration 4,856,580 4,325,072 4,193,381 131,691 Fiscal services 1,643,060 1,358,592 1,323,340 35,252 Business 627,706 624,437 615,772 8,665 Operation and maintenance of plant 7,071,711 6,862,492 6,738,237 124,255 Student transportation 1,787,088 1,670,923 1,633,318 37,605 Central services 1,988,147 1921,080 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
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Vocational 162,985 152,122 149,740 2,382 Total instructional services 44,983,549 45,662,156 45,298,735 363,421 Support services: Pupils 4,231,119 4,201,195 4,123,672 77,523 Instructional staff 6,809,702 5,896,062 5,762,479 133,583 Board of education 56,705 50,461 42,621 7,840 General administration 4,856,580 4,325,072 4,193,381 131,691 Fiscal services 1,643,060 1,358,592 1,323,340 35,252 Business 627,706 624,437 615,772 8,665 Operation and maintenance of plant 7,071,11 6,862,492 6,738,237 124,255 Student transportation 1,787,088 1,670,23 1,633,318 37,605 Central services 1,988,147 1,921,080 1,828,666 92,414 Co-curricular 7,072,188 73,756,944 72,636,335 1,120,609 Excess (deficiency) of revenues 1,256,755 3,264,725 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
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Instructional staff 6,809,702 5,896,062 5,762,479 133,583 Board of education 56,705 50,461 42,621 7,840 General administration 4,856,580 4,325,072 4,193,381 131,691 Fiscal services 1,643,060 1,358,592 1,323,340 35,252 Business 627,706 624,437 615,772 8,665 Operation and maintenance of plant 7,071,711 6,862,492 6,738,237 124,255 Student transportation 1,787,088 1,670,923 1,633,318 37,605 Central services 1,988,147 1,921,080 1,828,666 92,414 Co-curricular 1,037,321 1,184,474 1,076,114 108,360 Total support services 30,109,139 28,094,788 27,337,600 757,188 Total expenditures 75,092,688 73,756,944 72,636,335 1,120,609 Excess (deficiency) of revenues over expenditures 1,256,755 3,264,725 (2,208,155) (5,472,880) OTHER FINANCING SOURCES (USES): Refund of prior year expenditure 100,000 80,000 16,697 (63,303) Refund of prior year expenditure (25,000) (5,000) - 5,000 Transfers - net (112,550) (102,550) (93,550) 9,000 Advances - net - 11,343 12,147 804 Total other financing sources (uses) (37,550) (16,207) (64,706) (48,499) Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379)	= =						
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Excess (deficiency) of revenues over expenditures 1,256,755 3,264,725 (2,208,155) (5,472,880) OTHER FINANCING SOURCES (USES): Refund of prior year expenditure 100,000 80,000 16,697 (63,303) Refund of prior year receipt (25,000) (5,000) - 5,000 Transfers - net (112,550) (102,550) (93,550) 9,000 Advances - net - 11,343 12,147 804 Total other financing sources (uses) (37,550) (16,207) (64,706) (48,499) Excess (deficiency) of revenues and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	Total support services	30,109,139		28,094,788	 27,337,600		757,188
over expenditures 1,256,755 3,264,725 (2,208,155) (5,472,880) OTHER FINANCING SOURCES (USES): Refund of prior year expenditure 100,000 80,000 16,697 (63,303) Refund of prior year receipt (25,000) (5,000) - 5,000 Transfers - net (112,550) (102,550) (93,550) 9,000 Advances - net - 11,343 12,147 804 Total other financing sources (uses) (37,550) (16,207) (64,706) (48,499) Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	•	 75,092,688		73,756,944	72,636,335		1,120,609
OTHER FINANCING SOURCES (USES): Refund of prior year expenditure 100,000 80,000 16,697 (63,303) Refund of prior year receipt (25,000) (5,000) - 5,000 Transfers - net (112,550) (102,550) (93,550) 9,000 Advances - net - 11,343 12,147 804 Total other financing sources (uses) (37,550) (16,207) (64,706) (48,499) Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	•	1 256 755		2.264.725	(2.200.155)		(5. 470.000)
Refund of prior year expenditure 100,000 80,000 16,697 (63,303) Refund of prior year receipt (25,000) (5,000) - 5,000 Transfers - net (112,550) (102,550) (93,550) 9,000 Advances - net - 11,343 12,147 804 Total other financing sources (uses) (37,550) (16,207) (64,706) (48,499) Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	over expenditures	1,256,755		3,264,725	(2,208,155)		(5,472,880)
Refund of prior year receipt (25,000) (5,000) - 5,000 Transfers - net (112,550) (102,550) (93,550) 9,000 Advances - net - 11,343 12,147 804 Total other financing sources (uses) (37,550) (16,207) (64,706) (48,499) Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	-						
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Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 -		 -			 		
sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	Total other financing sources (uses)	 (37,550)		(16,207)	 (64,706)		(48,499)
sources over expenditures and other financing uses 1,219,205 3,248,518 (2,272,861) (5,521,379) Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	Excess (deficiency) of revenues and other financing						
Fund balance at beginning of year 39,793,204 39,793,204 39,793,204 -	= -	1,219,205		3,248,518	(2,272,861)		(5,521,379)
	_						-
· , , ,	5	\$ 	\$		\$ 	\$	(5,521,379)

See accompanying footnotes to the required supplementary information.

UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY, OHIO NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2009

A. Budgetary Information

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

- (1) A Tax Budget of estimated cash receipts and disbursements is submitted to the Franklin County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Upper Arlington Board of Education holds a budget hearing when it normally adopts the Tax Budget at the first regular meeting in January, following the budget hearing.
- (2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.
- (3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Upper Arlington Board of Education adopted its 2009 permanent appropriation measure at its August 26, 2008 regular meeting. The Board of Education adopted at the June 28, 2008 regular meeting a temporary appropriation measure to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Revised appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations at the fund level.

B. Reconciling Budgetary Basis and GAAP

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

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY, OHIO NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Continued)

B. Reconciling Budgetary Basis and GAAP (Continued)

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

Change in net assets	\$ 10,328,522
Adjustments Due to revenue accruals	(11,372,866)
Due to expenditure accruals	(1,257,361)
Due to other financing sources	28,844
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	\$ (2,272,861)

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE			•		
Passed Through Ohio Department of Education:					
National School Lunch Program	10.555	\$ 64,960	\$ 34,517	\$ 64,960	\$ 34,517
Total U.S. Department of Agriculture		64,960	34,517	64,960	34,517
U.S. DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education:					
Title I Grants to Local Educational Agencies	84.010	133,877	-	130,345	-
Special Education Cluster:					
Special Education Grants to States	84.027	1,081,703	-	1,175,275	-
Special Education Preschool Grants	84.173		16,248		16,248
Total Special Education Cluster		1,081,703	16,248	1,175,275	16,248
Safe and Drug Free Schools and Communities State Grants	84.186	12,517	_	14,356	_
State Grants for Innovative Programs	84.298	3,096	_	1,193	_
Special Education State Personnel Development	84.323	-	_	2,555	_
Education Technology State Grants	84.318	1,421	_	1,541	_
English Language Acquisition Grants - Limited English Proficiency	84.365	26,512	-	26,874	_
Improving Teacher Quality State Grants	84.367	67,774	_	71,316	-
Learn and Serve America - School and Community Based Programs	94.004	29,721	-	30,457	-
Total U.S. Department of Education		1,356,621	16,248	1,453,912	16,248
U.S. DEPARTMENT OF HOMELAND SECURITY Passed Through Ohio Department of Public Safety: Disaster Grants - Public Assistance					
Small Project Grant	97.036	21,469		21,469	
Total U.S. Department of Homeland Security		21,469		21,469	
Total Federal Awards		\$1,443,050	\$ 50,765	\$ 1,540,341	\$ 50,765

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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 value of the commodities received.

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

NOTE D - NONCASH AWARDS

The District had the following federal non-cash receipts and non-cash disbursements which were received and disbursed by the Franklin County Educational Service Center on behalf of the District for fiscal year 2009.

	Federal	Non-Cash	Non-Cash
Cluster/Program Title	<u>CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
Special Education-Preschool Grants	84.173	\$16,248	\$16,248



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Education Upper Arlington City School District 1950 North Mallway Upper Arlington, Ohio 43221

We have audited the financial statements of the governmental activities, each discretely presented component unit, its 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 fiscal year ended June 30, 2009, and have issued our report thereon dated October 10, 2009, wherein we noted the District implemented GASB Statement No.'s 49, 51, 52, 55, and 56 as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

However, we noted a certain matter that we reported to the District's management in a separate letter dated October 10, 2009.

Wilson, Shannon & Snow. Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Upper Arlington City School District
Franklin County
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards
Page 2

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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 have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we did note certain noncompliance or other matter that we reported to the District's management in a separate letter dated October 10, 2009.

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

Newark, Ohio

October 10, 2009



Report on Compliance with Requirements Applicable to Its Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*

Board of Education Upper Arlington City School District 1950 North Mallway Upper Arlington, Ohio 43221

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 its major federal program for the fiscal year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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, the Upper Arlington Community High School, and the Upper Arlington Wickliffe Progressive Community School, each a discretely presented component unit. Because these component units are legally separate from the District which this report addresses, and because each component unit expended less than \$500,000 of federal awards for the fiscal year ended June 30, 2009, each component unit 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 Upper Arlington City School District, Franklin County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2009.

Wilson, Shannon & Snow, Inc.

Upper Arlington City School District
Franklin County
Report on Compliance with Requirements Applicable to
Its Major Program and on Internal Control over Compliance
in Accordance with *OMB Circular A-133*Page 2

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Wilson, Shannon E Sur, Inc.

Newark, Ohio October 10, 2009

SCHEDULE OF FINDINGS OMB CIRCULAR A-133 §.505

JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for its major federal program?	No
(d)(1)(iv)	Were there any other significant deficiencies in its internal control for its major federal program?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program (list):	Special Education Cluster: Special Education Grants to States \ CFDA #84.027 and Special Education Preschool Grants \ CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS OMB CIRCULAR A-133 §.505

JUNE 30, 2009

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

Independent Auditors' Report on Applying Agreed-Upon Procedures



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

To the Board of Education:

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

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

- 1. We noted the Board adopted an anti-harassment policy at its meeting on December 10, 2007.
- 2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is report;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its website, if the district has a website, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Newark, Ohio

October 10, 2009

Wilson Shanna ESun, Dre.



Mary Taylor, CPA Auditor of State

UPPER ARLINGTON CITY SCHOOL DISTRICT FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED NOVEMBER 19, 2009