



**Auditor of State
Betty Montgomery**

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, (the District), as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Arlington City School District, Franklin County, Ohio, as of June 30, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

January 15, 2004

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

As management of the Upper Arlington City School District (the District), we offer readers of the District financial statements, this narrative overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2003.

Financial Highlights

The District's net assets are \$32,162,872 as of June 30, 2003 according to the Statement of Net Assets. This represents a decrease of \$2,293,770 or 6.7% from last year. The decrease in net assets is due primarily to the increasing cost ,while revenues remained somewhat stable.

The current five-year forecast prepared by the District as mandated by state law, reflects a need for an additional operating levy in the near future. The events of September 11, 2001, caused numerous unanticipated phenomena, effecting businesses and governmental entities throughout the country. The primary revenue areas where the District has been adversely effected are:

1. Business Taxes - \$2,600,000
2. Investment Income - \$801,000
3. State Revenue - \$212,000

The primary expenditure categories that have been greater than expected are:

1. Insurance (health, property, liability, and vehicle) - \$1,900,000
2. Workers Compensation - \$75,000

This activity, along with others, has had a \$6 million negative effect on the District's cash balances since the last levy was approved.

Expectations for improved conditions are less than favorable. Future cash balance projections continue to be affected by;

- 1) The State biennial budget as approved in June 2003 has provided no increase in revenue.
- 2) The acceleration of the phase-out of personal property taxes as part of the State biennial budget approved in June 2003, a more than \$500,000 reduction once the tax is completely eliminated. This phase out will take place over several years, but it will cause a faster deterioration of the local business tax base.
- 3) The continued sluggish interest rate earnings provide no indication that investment revenue will improve in the near future, a revenue category which is already down \$801,000 over three years.

In response to these events, the District will implement budget reductions prior to an anticipated levy in the year 2004.

The General Fund reported a positive fund balance of \$5,217,418.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(UNAUDITED)
(Continued)**

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds appears on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. These statements provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and 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 Fund is a Student Managed activities Agency Fund. The District's fiduciary activities are reported in the Statement of Fiduciary Assets, Fiduciary Fund. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(UNAUDITED)
(Continued)**

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 \$32,162,872 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 (63.6%) 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 2003 to 2002 follows from the Statements of Net Assets:

	Governmental Activities	
	2003	2002
Current assets	\$ 69,238,181	70,684,815
Capital assets	60,552,083	60,967,349
Total assets	129,790,264	131,652,164
Current liabilities	50,190,243	49,649,348
Long-term liabilities	47,437,149	47,546,174
Total liabilities	97,627,392	97,195,522
Net Assets:		
Invested in capital, net of debt	20,455,055	21,188,122
Restricted	3,715,366	2,778,966
Unrestricted	7,992,451	10,489,554
Total net assets	\$ 32,162,872	\$ 34,456,642

A portion of the District's net assets (10.7%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(UNAUDITED)
(Continued)**

Changes in Net Assets

	Governmental Activities
	<u>2003</u>
Program revenues:	
Charges for services	\$ 4,203,986
Grants	2,040,333
General revenues:	
Property taxes	44,632,338
State entitlements	10,768,619
Investment earnings	334,252
Other	<u>1,033,106</u>
Total revenues	<u>63,012,634</u>
Program expenses:	
Instructional	34,624,058
Support services	22,622,163
Extracurricular student activities	2,295,534
Food services	1,014,674
Community services	2,723,158
Interest on long-term debt	<u>2,026,817</u>
Total expenses	<u>65,306,404</u>
change in net assets	<u>\$ (2,293,770)</u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$2,293,770. The decrease in net assets is due primarily to revenues remaining stable while expenses continue to increase approximately 8-10%.

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.

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(UNAUDITED)
(Continued)**

<u>Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Service</u>
	<u>2003</u>	<u>2003</u>
Instructional services	\$ 34,624,058	34,178,087
Support services	22,622,163	21,886,233
Extracurricular student activities	2,295,534	1,026,688
Food services	1,014,674	48,571
Community services	2,723,158	(104,311)
Interest on long-term debt	<u>2,026,817</u>	<u>2,026,817</u>
Total	<u>\$ 65,306,404</u>	<u>59,062,085</u>

Local property taxes make up 70.1% of total revenues for governmental activities. The net services column reflecting the need for \$59,062,085 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 \$10,366,083, which represents a decrease of (\$198,841) as compared to last year's total of \$10,564,924 according to the Governmental Funds Statement of revenues, expenditures, and changes in fund balances. The schedule below shows the fund balance and the total change in fund balance from June 30, 2002 to 2003.

	<u>Fund Balance at</u>	<u>Fund Balance at</u>	<u>Increase</u>
	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>(Decrease)</u>
General Fund	\$ 5,217,418	7,785,958	(2,568,540)
Other Governmental Funds	<u>5,148,665</u>	<u>2,778,966</u>	<u>2,369,699</u>
Total	<u>\$ 10,366,083</u>	<u>10,564,924</u>	<u>(198,841)</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(UNAUDITED)
(Continued)**

General Fund

The District's General Fund balance decreased primarily because revenues remained stable while expenditures increased. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

Revenues

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Property taxes	\$ 43,255,073	43,455,917	-0.46%
Intergovernmental	10,325,407	9,641,363	7.09%
Investment income	300,488	518,037	-41.99%
Other revenue	982,234	748,785	31.18%
Total	<u>\$ 54,863,202</u>	<u>54,364,102</u>	0.92%

Overall revenues remain stable in the current year as expected. Interest earnings are down 41.99% from fiscal 2002 due to declining interest rates and available cash balances.

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

Expenditures by Function

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Instructional services	\$ 31,926,350	31,165,223	2.44%
Support services	21,843,642	18,549,157	17.76%
Extracurricular student activities	979,967	809,846	21.01%
Total	<u>\$ 54,749,959</u>	<u>50,524,226</u>	8.36%

Expenditures are up 10.44% over the prior year mostly due to salary and benefit increases, including increased health insurance premiums, associated with existing staff. Expenditures exceeded revenues in the general fund during the fiscal year resulting in a decrease in fund balance of (\$2,568,540). On a budgetary basis expenditures increased approximately 6.3%.

Other Funds

Other governmental funds consist of Debt Service, Special Revenue, and Capital Projects funds. Fund balance in these funds increased by \$2,369,699.

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. There were no significant changes to the Fiscal 03 budget.

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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(UNAUDITED)
(Continued)**

Capital Assets

The District has \$60,552,083 invested in capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2003, the District had \$38,959,366 in long – term outstanding notes and bonds. The District paid \$1,405,000 in principal on bonds outstanding and \$1,979,038 in interest payments during the 2003 fiscal year. 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, 2003, the District's general obligation debt was below the legal limit.

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UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2003

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Equity in pooled cash & cash equivalents	\$ 16,277,923
Restricted cash	285,453
Receivables	52,290,591
Due from other governments	300,813
Inventory	83,401
Non Depreciable Asset - Land	244,883
Depreciable capital assets, net of accumulated depr.	60,307,200
TOTAL ASSETS	\$ 129,790,264
LIABILITIES:	
Accounts payable	\$ 1,198,931
Accrued interest payable	165,093
Deferred revenue	43,764,472
Accrued liabilities	4,761,747
Note payable	300,000
Long-term Liabilities:	
Due within one year	3,712,172
Due in more than one year	43,724,977
TOTAL LIABILITIES	97,627,392
NET ASSETS	
Invested in capital assets, net of related debt	20,455,055
Restricted for:	
Budget stabilization	285,453
Debt Service	1,648,679
Capital projects funds	758,321
Other purposes	1,022,913
Unrestricted	7,992,451
TOTAL NET ASSETS	\$ 32,162,872

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Instructional services:				
Regular	\$ 29,854,093	71,299	73,763	(29,709,031)
Special	4,568,768	-	299,909	(4,268,859)
Vocational	201,197	-	1,000	(200,197)
Support services:				
Operation and maintenance of plant	5,929,296	-	-	(5,929,296)
Board of Education	3,765,729	-	190,984	(3,574,745)
Business operations	3,044,078	-	-	(3,044,078)
Pupils	1,212,263	-	108,247	(1,104,016)
Fiscal Services	604,080	-	-	(604,080)
Instructional staff	5,004,150	-	232,863	(4,771,287)
Student transportation	1,380,084	-	141,629	(1,238,455)
Central services	1,650,159	-	62,207	(1,587,952)
General administration	32,324	-	-	(32,324)
Extracurricular student activities	2,295,534	1,268,846	-	(1,026,688)
Food Service operations	1,014,674	931,287	34,816	(48,571)
Community services	2,723,158	1,932,554	894,915	104,311
Interest on long-term debt	2,026,817	-	-	(2,026,817)
Totals	\$ 65,306,404	4,203,986	2,040,333	(59,062,085)
General revenues:				
Property taxes				44,632,338
Grants and entitlements not restricted to specific programs				10,768,619
Investment earnings				334,252
Loss on disposal of capital assets				(4,118)
Miscellaneous				1,037,224
Total General revenues				56,768,315
Change in Net Assets				(2,293,770)
Net Assets Beginning of Year (Restated Note 15)				34,456,642
Net Assets End of Year				32,162,872

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	<u>GENERAL</u>	OTHER GOVERNMENTAL <u>FUNDS</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>
ASSETS :			
Equity in Pooled Cash and Equivalents	\$ 9,825,247	6,452,676	16,277,923
Restricted asset	285,453	-	285,453
Receivables	48,927,703	3,360,125	52,287,828
Due from other:			
Governments	-	300,813	300,813
Funds	328,225	180	328,405
Inventory	19,491	63,910	83,401
TOTAL ASSETS	<u>\$ 59,386,119</u>	<u>10,177,704</u>	<u>69,563,823</u>
LIABILITIES:			
Accounts payable	\$ 556,339	642,592	1,198,931
Due to other funds	-	325,642	325,642
Deferred revenue	49,010,332	3,601,087	52,611,419
Accrued liabilities	4,602,030	159,718	4,761,748
Notes payable	-	300,000	300,000
TOTAL LIABILITIES	<u>54,168,701</u>	<u>5,029,039</u>	<u>59,197,740</u>
FUND BALANCES:			
Fund balances:			
Reserved for encumbrances	666,207	1,725,127	2,391,334
Reserved for inventory	19,491	63,910	83,401
Reserved for future appropriations	4,642,738	367,262	5,010,000
Reserved for budget stabilization	285,453	-	285,453
Unreserved, reported in:			
General fund	(396,471)	-	(396,471)
Special Revenue funds	-	1,022,913	1,022,913
Debt Service fund	-	1,211,132	1,211,132
Capital Projects funds	-	758,321	758,321
TOTAL FUND BALANCES	<u>5,217,418</u>	<u>5,148,665</u>	<u>10,366,083</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 59,386,119</u>	<u>10,177,704</u>	<u>69,563,823</u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total Governmental Fund Balances	\$ 10,366,083
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.	60,552,083
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	8,846,947
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable	(165,093)
Compensated absences	(6,937,552)
Pension obligation	(402,568)
Bonds and notes payable	(38,959,366)
Capital lease obligations	(1,137,662)
Net Assets of Governmental Activities	<u>\$ 32,162,872</u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:			
Property taxes	\$ 43,255,073	3,258,989	46,514,062
Intergovernmental:			
Federal Restricted Grants-in-aid	7,183	793,410	800,593
State:			
Unrestricted Grants-in-aid	10,224,025	459,042	10,683,067
Restricted Grants-in-aid	94,199	1,136,489	1,230,688
Investment income	300,488	33,764	334,252
Charges for services	-	2,965,820	2,965,820
Co-curricular activities	99,595	1,067,331	1,166,926
Tuition fees	71,299	16,835	88,134
Other	811,340	208,990	1,020,330
TOTAL REVENUES	<u>54,863,202</u>	<u>9,940,670</u>	<u>64,803,872</u>
EXPENDITURES:			
Current:			
Instructional services:			
Regular	27,239,291	594,026	27,833,317
Special	4,486,078	187,608	4,673,686
Vocational	200,981	1,000	201,981
TOTAL INSTRUCTIONAL SERVICES	<u>31,926,350</u>	<u>782,634</u>	<u>32,708,984</u>
Support services:			
Operation and maintenance of plant	5,542,714	5,582	5,548,296
School administration	3,376,328	176,752	3,553,080
Pupils	3,240,209	95,423	3,335,632
Fiscal	1,182,282	42,013	1,224,295
Business operations	580,974	13,968	594,942
Instructional staff	4,960,867	211,276	5,172,143
Student transportation	1,313,812	137,839	1,451,651
Central services	1,617,007	49,714	1,666,721
General administration	29,449	2,875	32,324
TOTAL SUPPORT SERVICES	<u>21,843,642</u>	<u>735,442</u>	<u>22,579,084</u>
Extracurricular student activities	979,967	1,327,909	2,307,876
Community services	-	2,780,473	2,780,473
Food service	-	924,526	924,526
Capital outlay	988,200	1,020,573	2,008,773
Debt service:			
Principal retirement	495,399	1,405,000	1,900,399
Interest	46,200	1,979,038	2,025,238
TOTAL EXPENDITURES	<u>56,279,758</u>	<u>10,955,595</u>	<u>67,235,353</u>
Excess (deficiency) of revenues over expenditures	(1,416,556)	(1,014,925)	(2,431,481)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	14,440	-	14,440
Proceeds from sale of long-term notes	-	1,230,000	1,230,000
Inception of capital leases	988,200	-	988,200
Transfers in	4,000	2,780,894	2,784,894
Transfers out	(2,158,624)	(626,270)	(2,784,894)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,151,984)</u>	<u>3,384,624</u>	<u>2,232,640</u>
Net change in fund balances	(2,568,540)	2,369,699	(198,841)
FUND BALANCES , JULY 1 (RESTATED NOTE 15)	<u>7,785,958</u>	<u>2,778,966</u>	<u>10,564,924</u>
FUND BALANCE, JUNE 30	<u>\$ 5,217,418</u>	<u>5,148,665</u>	<u>10,366,083</u>

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net Changes in Fund Balances - Total Governmental Funds	\$ (198,841)
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.	(396,708)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(1,787,120)
Repayment of bond principal 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.	1,900,399
Proceeds from the issuance of debt obligations is not reported as revenues in the statement of activities.	(1,230,000)
Inception of Capital Lease	(988,200)
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	464,405
Pension obligation	(37,568)
Loss on disposal of fixed assets	(18,558)
Interest expense	(1,579)
Change in Net Assets of Governmental Activities	\$ (2,293,770)

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	<u>AGENCY FUNDS</u>
ASSETS:	
Equity in pooled cash and cash equivalents	\$ 393,037
TOTAL ASSETS	<u>393,037</u>
LIABILITIES:	
Due to other:	
Funds	2,763
Other	390,274
TOTAL LIABILITIES	<u>\$ 393,037</u>

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

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**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

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 830 employees. Our student population is 5,550 students.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

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 an other governmental fund for reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) Basis of Presentation

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

Government-wide and fund financial statements

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(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.

Governmental Funds

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

The District reports the following *major* governmental fund:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Funds used to account for the activity of the numerous student managed activities within the District and Rockbridge Academy are classified as agency funds.

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) *Measurement focus*

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

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

Fiduciary funds are reported using the economic resources measurement focus.

(D) *Basis of Accounting*

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

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Basis of Accounting

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

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

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

(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.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Budgetary Process

Estimated Resources:

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

Appropriations:

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

(F) Cash and Investments

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) Cash and Investments (Continued)

During fiscal year 2003, investments were limited to various government securities, repurchase agreements and STAR Ohio.

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

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2003. 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, 2003.

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

As authorized by Ohio statutes, the Board of Education has specified the finds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$300,488, which includes \$ 33, 764 assigned from other funds.

(G) Inventory

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

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

(H) Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2003 are recorded as prepaid items using the consumption method and recording a current asset for the prepaid amount and reflecting the expenditure in the year which services are consumed.

(I) Capital Assets and Depreciation

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) *Capital Assets and Depreciation (Continued)*

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

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

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

(J) *Interfund Activity*

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets.

(K) *Compensated Absence*

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

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

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

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) Net Assets

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

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

(N) Fund Balance Reservations

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

(O) Estimates

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

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

3. DEPOSITS AND INVESTMENTS

Interim monies may be invested in the following obligations:

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

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

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

Bonds and other obligations of the State of Ohio;

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

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

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

Deposits

The District's bank deposits at June 30, 2003 was \$3,923,015. The carrying balance was \$3,240,281. Of the bank balance, \$436,019 was covered by Federal depository insurance, and \$3,486,996 was uninsured and uncollateralized. The \$3,486,996 was covered by pooled collateral as provided in Ohio Revised Code Chapter 135. All deposits are in institutions who are members of the Federal Reserve System.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments are categorized to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the Counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the Counter party or its trust department or agent, but not in the District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

A reconciliation between classifications of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments presented below per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 16,956,413	\$
Investment of the Cash Management Pool:		
Repurchase agreements	(707,000)	707,000
STAR Ohio	(10,010,382)	10,010,382
Government Obligations	(2,998,750)	2,998,750
 GASB Statement 3	 \$ 3,240,281	 \$13,716,132

	Category			Carrying Value
	1	2	3	
U.S. Treasury and agency obligations	\$ -	3,000,000	-	2,998,750
Repurchase agreement	-	-	707,000	707,000
STAR Ohio	-	-	-	10,010,382
Total investments	-	3,000,000	707,000	13,716,132

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

4. RECEIVABLES

Receivables at June 30, 2003, consist of the following:

	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
Governmental activities:				
General	\$ 48,902,332	8,197	17,174	48,927,703
Other governmental funds	<u>3,350,457</u>	<u>3,246</u>	<u>6,422</u>	<u>3,360,125</u>
Total	<u>\$ 52,252,789</u>	<u>11,443</u>	<u>23,596</u>	<u>52,287,828</u>

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2003, follows:

	Balance <u>June 30, 2002</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2003</u>
<u>Governmental Activities Cost</u>				
Land (not being depreciated)	\$ 244,883			244,883
Building and improvements	67,027,319	-		67,027,319
Furniture, fixtures and equipment	19,486,749	2,695,572	12,800	22,169,521
Vehicles	1,297,849	208,508	100,129	1,406,228
Total at cost	<u>88,056,800</u>	<u>2,904,080</u>	<u>112,929</u>	<u>90,847,951</u>
<u>Less accumulated depreciation</u>				
Building and improvements	18,434,932	1,296,923		19,731,855
Furniture, fixtures and equipment	7,668,133	1,901,924	11,611	9,558,446
Vehicles	986,386	101,941	82,760	1,005,567
Total accumulated depreciation	<u>27,089,451</u>	<u>3,300,788</u>	<u>94,371</u>	<u>30,295,868</u>
Capital assets, net	<u>\$ 60,967,349</u>	<u>(396,708)</u>	<u>18,558</u>	<u>60,552,083</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$ 3,026,839
Special	74,009
Support services:	
Administration	55,310
Operation of maintenance and plant	107,705
Food Service operations	36,925
Total depreciation expense	\$ 3,300,788

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

6. LONG-TERM OBLIGATIONS

A summary for changes in long-term obligations for the year ended June 30, 2003, follows:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003
Accrued liabilities (accrued vacation and sick leave)	\$ 7,401,947	6,937,553	7,401,947	6,937,553
Capital Leases	\$ 644,861	988,200	495,399	1,137,662
HB 264 Energy Conversation Note	\$ -	1,230,000	-	1,230,000
Pension Obligation	\$ 365,000	402,568	365,000	402,568
General obligation bonds payable	39,134,366	-	1,405,000	37,729,366
	<u>\$ 47,546,174</u>	<u>9,558,321</u>	<u>9,667,346</u>	<u>47,437,149</u>

Amounts Due In One Year	
Compensated Absences Payable	\$ 810,625
General obligation bonds payable	\$ 2,901,547
Total due within one year	<u>\$ 3,712,172</u>

Additions and deletions of accrued sick leave are shown net since it is impracticable for the District to determine these amounts separately.

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

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

The annual maturities of the general obligation bonds and notes as of June 30, 2003, and related interest payments are as follows:

Year ending June 30,	Interest rate (%)	Principal	Interest
2004	5.4 - 5.9	\$ 2,572,601	\$ 2,134,364
2005	5.4 - 5.9	1,363,683	2,130,821
2006	5.4 - 5.9	1,062,955	2,057,805
2007	5.4 - 5.9	1,172,454	1,983,105
2008	5.4 - 5.9	1,277,195	1,918,440
2009 - 2013	5.4 - 5.9	5,300,827	11,237,169
2014 - 2018	5.4 - 5.9	11,359,748	5,996,392
2019 - 2023	5.4 - 5.9	14,849,903	2,592,634
Total		<u>\$ 38,959,366</u>	<u>\$ 30,050,730</u>

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

6. LONG-TERM OBLIGATIONS (Continued)

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, 2003 the District's total net debt and unvoted net debt were approximately \$69,878,199 and \$1,291,392 of the total assessed value of all property within the school district.

7. SHORT-TERM OBLIGATIONS

Short-term Notes Payable activity of the District for the year ended June 30,2003 was as follows:

	Principal Outstanding 6/30/02	Additions	Deletions	Principal Outstanding 6/30/03
2000 Bond Anticipation- Computer Acq. Note 2.95%	\$575,000	\$300,000	\$575,000	\$300,000

Principal and interest requirements to retire the remaining portion of the short-term payable outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2004	\$300,000	\$5,250	\$305,250

8. DEFINED BENEFIT PENSION PLANS

Certificated District employees are covered by the State Teachers Retirement System of Ohio (STRS). All other District employees are covered by the School Employees Retirement System of Ohio (SERS). STRS and SERS (the Systems) are both cost sharing, defined benefit, multiple-employer public employee retirement systems.

STRS has provided the following information to the District to comply with required disclosure pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (Statement No. 27):

- A. STRS is a cost-sharing, multiple-employer public employee retirement system.
- B. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. 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. The DC plan allows members to invest all of their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balance from the existing DB Plan into the DC Plan or Combined Plan. This option expired on December 31, 2001.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years if service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. 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 member’s three highest years’ salaries. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 and 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among nine investment choices. 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 member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Members contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination or reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Prior to February 1, 2002, benefits are increased annually by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. Effective February 1, 2002, benefits are increased annually by 3% of the original base amount, regardless of the change in CPI.

The Defined Benefit and Combined Plans offer access to health care coverage to retirees who participated in the plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled is entitled to a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

C. Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

D. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2003, were 9.3% of covered payroll for members and 14% for employers. These were the same contribution rates for 2001 and 2002. Employer contributions for 2003, 2002, and 2001 were approximately \$ 4,398,982, \$4,258,600; and \$3,990,200; 85 percent has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001..

E. STRS Ohio issues a stand-alone financial report. Copies of STRS Comprehensive Annual Financial Report, can be requested in writing to STRS, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

SERS has provided the following information to the District to comply with required disclosures pursuant to GASB Statement No. 27.

A. SERS is a cost-sharing multiple-employer defined benefit pension plan.

B. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. SERS members are eligible for retirement benefits at age 60 with 5 years of service credit, between ages 55 and 60 with at least 25 years of service credit, or at any age with 30 years of service credit. An annual pension will be based upon actual age at retirement, salary (average of best three years) and service credit. At age 65, a member will receive 2.1% of final average salary to 30 years, and 2.5% for each year over 30 years, or a minimum of \$86, for every year of service credit. Members under the age of 65 who retire with less than 30 years of service credit receive reduced benefits.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

- C. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.
- D. Plan members are required to contribute 9% 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 the plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Board. Employer contributions to SERS for the years ended June 30, 2003, 2002, and 2001 were approximately \$ 1,175,134; \$1,062,800; and \$1,606,000; 86 percent has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001.
- E. SERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to SERS at: 300 E Broad Street., Columbus, Ohio 43215 or by calling (614) 222-5853.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

STRS has provided the following information (the latest information available) pertaining to other postemployment benefits for health care costs in order to assist the District in complying with GASB Statement No. 12, Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers (Statement No. 12).

- A. STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.
- B. The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.
- C. The STRS Retirement Board currently allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002. The Health Care Reserve Fund allocation for the year ended June 30, 2003, was 1% of covered payroll
- D. For the year ended June 30, 2003, the net health care costs paid by STRS was approximately \$354,697,000. There were 105,300 eligible benefit recipients.

SERS has provided the following information (the latest information available) pertaining to other postemployment benefits for health care costs in order to assist the District in complying with GASB Statement No. 12.

- A. The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premiums for health care. The portion is based on years of service up to a maximum of 75% of the premium.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

- B. After the allocation for basic benefits, the remainder of the employer's 14% contributions is allocated to providing health care benefits. At June 30, 2003, the allocation rate was 5.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.
- C. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for healthcare at June 30, 2002 were \$182.9 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million.
- D. The number of participants currently receiving health care benefits is approximately 50,000.
- E. Employer contributions in the amount of \$1,252,655 and a surcharge in the amount of \$75,755 were used to fund post-employment benefits for the year ended June 30, 2003.

10. JOINT VENTURE

The Rockbridge Academy (Academy) is a joint venture consisting of a consortium of six schools districts. The joint venture was formed for the purpose of providing alternative education services to at risk students. The Governing Board of the Academy consists of six members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the joint venture, however the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The Academy is independent upon continued support of the member schools as it is not independently accumulating adequate financial resources. The District is the financial agent for the Academy, as such; cash in the amount of \$32,269 is accounted for in a Agency Fund. Further detailed financial information may be obtained by contacting the Upper Arlington City School District at 614-487-5007.

11. PROPERTY TAXES

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates, as established by Franklin County, were January 22, 2003 and June 20, 2003, for those taxes due during 2003.

Real property taxes collected during calendar year 2003 had a lien and levy date of January 1, 2002. Tangible personal property taxes collected during calendar year 2003 had a lien and levy date of January 1, 2003.

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in December 1999. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). The assessed values for collection in 2003, upon which the 2001 levies were based, was as follows:

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

11. PROPERTY TAXES (Continued)

Real Estate	\$ 1,247,940,650
Public Utility	18,191,220
Tangible Property	25,259,891
Total	<u>\$ 1,291,391,761</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .565% (5.65 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases. The total tax rate for the District, including voted increases, was 89.15 mills in 2003.

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

12. CONTINGENT LIABILITIES

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

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

13. SET-ASIDE CALCULATIONS

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

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

13. SET-ASIDE CALCULATIONS (Continued)

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Set-aside balance, July 1, 2002	\$ -	\$ -	\$ 285,453
Current year set-aside requirement	774,254	774,254	-
Qualifying expenditures	(1,048,369)	(1,323,128)	-
Total	<u>\$ (274,115)</u>	<u>\$ (548,874)</u>	<u>\$ 285,453</u>
Set-aside balance, June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,453</u>

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

14. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

15. CHANGE IN ACCOUNTING PRINCIPLE/BUSINESS-TYPE ACTIVITIES RESTATEMENT

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). This statement represents a significant change in the way state and local governments present basic financial information. For Fiscal 2003, the District implemented this statement.

GASB 34 creates new basic financial statements for reporting on the Districts financial activities. The financial statements now include entity wide statements prepared on the accrual basis of accounting, and fund financial statements, which presents information for individual major funds and aggregate non-major funds rather than by fund type.

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)**

15. CHANGE IN ACCOUNTING PRINCIPLE/BUSINESS-TYPE ACTIVITIES RESTATEMENT

	General Fund	Other Governmental Funds	Total
Fund Balances at July 1, 2002	\$ 7,785,958	\$ 2,355,100	\$ 10,141,058
Fund 006 - Reclassification		(68,936)	(68,936)
Fund 009 - Reclassification		40,067	40,067
Fund 020 - Reclassification		452,735	452,735
Adjusted Fund Balance June 30, 2002	\$ 7,785,958	\$ 2,778,966	\$ 10,564,924

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.	\$ 60,967,349
Other long-term assets are not available to pay for current period expenditures are therefore are deferred in the funds.	\$ 10,634,067
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interest Payable	\$ (163,514)
Pension Obligation	\$ (365,000)
Compensated Absences	\$ (7,401,957)
Debt Obligations	\$ (39,779,227)
Net Assets of Governmental Activities at 7/1/2002, as restated	\$ 34,456,642

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 2003 the District contracted with an independent insurance provider for general liability insurance with a \$8 million umbrella coverage.

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

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2003
(Continued)

17. CONTRACTUAL COMMITMENTS

As of June 2003, the District had outstanding contracts for professional services as follows:

Company	Amount Remaining on Contract
Sabo/Limbach	\$ 371,622
Franklin Co. Ed. Service Center	170,530
Worthington Schools	<u>96,584</u>
Total	<u>\$ 638,736</u>

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UPPER ARLINGTON CITY SCHOOLS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003 (unaudited)

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL	ACTUAL	
REVENUES:				
Property taxes	\$ 53,416,387	57,276,233	43,373,073	(13,903,160)
Investment income	315,500	338,298	325,912	(12,386)
Tuition fees	72,800	78,060	71,299	(6,761)
Co-curricular	99,400	106,583	99,595	(6,988)
Miscellaneous	736,700	789,934	762,776	(27,158)
State sources	9,900,000	10,615,370	10,318,224	(297,146)
Federal sources	7,100	7,613	7,183	(430)
TOTAL REVENUES	64,547,887	69,212,090	54,958,062	(14,254,028)
EXPENDITURES:				
REGULAR INSTRUCTION:				
Salaries and wages	21,471,459	21,719,749	21,257,432	462,317
Employee benefits	5,438,095	5,572,201	5,536,795	35,406
Purchased services	825,747	846,110	675,611	170,499
Supplies and materials	587,905	602,403	606,588	(4,185)
Capital Outlay	38,930	39,890	101,214	(61,324)
Other	2,000	2,049	1,000	1,049
TOTAL REGULAR INSTRUCTION	28,364,136	28,782,403	28,178,640	603,763
SPECIAL INSTRUCTION:				
Salaries and wages	3,350,550	3,433,176	3,524,282	(91,106)
Employee benefits	891,870	913,864	943,353	(29,489)
Purchased services	78,188	80,116	69,518	10,598
Supplies and materials	10,455	10,713	12,355	(1,642)
Capital Outlay	5,230	5,359	2,268	3,091
TOTAL SPECIAL INSTRUCTION	4,336,293	4,443,228	4,551,776	(108,548)
VOCATIONAL INSTRUCTION:				
Salaries and wages	6,800	6,968	-	6,968
Employee benefits	1,600	1,639	-	1,639
Purchased services	235,016	240,812	404,260	(163,448)
Supplies and materials	4,005	4,104	4,343	(239)
Capital Outlay	5,000	5,123	-	5,123
TOTAL VOCATIONAL INSTRUCTION	252,421	258,646	408,603	(149,957)
PUPIL SERVICES:				
Salaries and wages	2,648,909	2,714,232	2,579,708	134,524
Employee benefits	664,215	680,595	618,732	61,863
Purchased services	37,684	38,613	21,806	16,807
Supplies and materials	44,870	45,977	54,282	(8,305)
Capital Outlay	2,450	2,510	2,629	(119)
Other	400	410	520	(110)
TOTAL PUPIL SERVICES	\$ 3,398,528	3,482,337	3,277,677	204,660

(Continued)

UPPER ARLINGTON CITY SCHOOLS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003 (unaudited)

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL	ACTUAL	POSITIVE (NEGATIVE)
INSTRUCTIONAL STAFF:				
Salaries and wages	\$ 2,726,005	2,793,230	2,500,420	292,810
Employee benefits	620,500	635,802	524,022	111,780
Purchased services	1,066,670	1,092,975	1,767,272	(674,297)
Supplies and materials	90,815	93,055	153,096	(60,041)
Capital Outlay	12,693	13,006	12,823	183
Other	6,945	7,116	16,546	(9,430)
TOTAL INSTRUCTIONAL STAFF	4,523,628	4,635,183	4,974,179	(338,996)
BOARD OF EDUCATION				
Salaries and wages	15,000	15,370	10,880	4,490
Employee benefits	1,750	1,793	878	915
Purchased services	7,500	7,685	5,611	2,074
Supplies and materials	4,100	4,201	4,777	(576)
Other	22,700	23,260	18,229	5,031
TOTAL BOARD OF EDUCATION	51,050	52,309	40,375	11,934
SCHOOL ADMINISTRATION:				
Salaries and wages	2,257,280	2,312,946	2,273,155	39,791
Employee benefits	658,296	674,530	585,505	89,025
Purchased services	518,550	531,338	571,319	(39,981)
Supplies and materials	29,285	30,007	22,002	8,005
Capital Outlay	12,476	12,784	12,295	489
Other	650	666	61	605
TOTAL SCHOOL ADMINISTRATION	3,476,537	3,562,270	3,464,337	97,933
FISCAL SERVICES:				
Salaries and wages	346,450	354,994	341,385	13,609
Employee benefits	117,260	120,152	121,053	(901)
Purchased services	59,000	60,455	58,279	2,176
Supplies and materials	15,000	15,370	15,434	(64)
Capital outlay	2,500	2,562	(179)	2,741
Other	622,716	638,072	664,264	(26,192)
TOTAL FISCAL SERVICES	1,162,926	1,191,604	1,200,236	(8,632)
BUSINESS OPERATIONS				
Salaries and wages	168,600	172,758	167,233	5,525
Employee benefits	50,720	51,971	57,721	(5,750)
Purchased services	364,175	373,156	305,978	67,178
Supplies and materials	33,600	34,429	26,560	7,869
Capital outlay	30,000	30,740	26,609	4,131
Other	975	999	530	469
TOTAL BUSINESS OPERATIONS	\$ 648,070	664,052	584,631	79,421

(Continued)

UPPER ARLINGTON CITY SCHOOLS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003 (unaudited)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
OPERATION AND MAINTENANCE OF PLANT:				
Salaries and wages	\$ 2,641,750	2,706,897	2,681,263	25,634
Employee benefits	860,111	881,322	850,929	30,393
Purchased services	1,605,810	1,645,410	1,599,313	46,097
Supplies and materials	346,273	354,812	414,144	(59,332)
Capital outlay	2,000	2,049	13,338	(11,289)
Other	350	359	5,600	(5,241)
TOTAL OPERATION AND MAINTENANCE OF PLANT	5,456,294	5,590,849	5,564,587	26,262
STUDENT TRANSPORTATION:				
Salaries and wages	866,000	887,356	859,777	27,579
Employee benefits	199,380	204,297	182,284	22,013
Purchased services	16,176	16,575	21,536	(4,961)
Supplies and materials	127,000	130,132	115,372	14,760
Capital Outlay	-	-	109,600	(109,600)
TOTAL STUDENT TRANSPORTATION	1,208,556	1,238,360	1,288,569	(50,209)
CENTRAL SERVICES:				
Salaries and wages	764,575	783,430	783,392	38
Employee benefits	176,570	180,924	189,812	(8,888)
Purchased services	448,952	460,023	327,462	132,561
Supplies and materials	168,568	172,725	78,064	94,661
Capital outlay	132,700	135,972	291,096	(155,124)
Other	1,200	1,230	1,175	55
TOTAL CENTRAL SERVICES	1,692,565	1,734,304	1,671,001	63,303
CO-CURRICULAR ACTIVITIES:				
Salaries and wages	868,258	852,131	798,460	53,671
Employee benefits	148,180	151,834	99,678	52,156
Purchased services	43,250	44,317	42,830	1,487
Supplies and materials	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL CO-CURRICULAR ACTIVITIES	1,059,688	1,048,282	940,968	107,314
DEBT SERVICE				
Principal retirement	495,399	495,399	495,399	-
Interest	46,200	46,200	46,200	-
TOTAL DEBT SERVICE	541,599	541,599	541,599	-
TOTAL EXPENDITURES	56,172,291	57,557,525	56,687,178	538,246
Excess (deficiency) of revenues over (under) expenditures	8,375,596	11,654,565	(1,729,116)	(13,383,681)
OTHER FINANCING SOURCES (USES):				
Other	(2,255,000)	(2,498,162)	(2,487,807)	10,355
Refund of prior year expenditures	(5,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,260,000)	(2,498,162)	(2,487,807)	10,355
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,115,596	9,156,403	(4,216,923)	(13,373,326)
Prior year encumbrances appropriated	1,459,938	1,459,938	1,459,938	-
FUND BALANCES AT BEGINNING OF YEAR	11,678,433	11,678,433	11,678,433	-
FUND BALANCES AT END OF YEAR	\$ 19,253,967	22,294,774	8,921,448	(13,373,326)

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2003
(unaudited)

NOTE A - RECONCILING BUDGET BASIS AND GAAP

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual column presented on the Budgetary Comparison Schedule – General Fund is prepared in accordance with the budget basis of accounting.

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

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

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

GAAP Basis	\$ (2,568,540)
Revenue accruals	94,860
Expenditure accruals	(1,395,620)
Due to other financing sources	(347,623)
Budget Basis	<u><u>\$ (4,216,923)</u></u>

UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	NA	\$ -	\$ 46,327	\$ -	\$ 46,327
National School Lunch Program	10.555	044933-LLP4-2002/2003	33,871		33,871	-
<i>Total Nutrition Cluster/Total United States Department of Agriculture</i>			33,871	46,327	33,871	46,327
Unites States Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Special Education_Grants to States	84.027	044933-6BSF-2002/2002P/2003P	462,673	-	437,673	-
Federal Perkins Loan Program_Federal Capital Contributions	84.038	044933	28,564	-	18,430	-
Immigrant Education	84.162	044933-EIS1-2002	-	-	1,400	-
Safe and Drug-Free Schools and Communities_National Programs	84.184	044933-T4S1-2003	5,139	-	1,334	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	044933-DRS1-2002/2003	17,114		17,186	
Fund for the Improvement of Education	84.215	044933-PIS1-2002	(98)	-	-	-
Innovative Educational Program Strategies	84.298	044933-C2S1-2001/2002/2003	57,241	-	68,598	-
Technology Literacy Challenge Fund Grants	84.318	044933-TF53-2001	-	-	13,886	-
School Renovation Grants	84.352	044933-ATS2/S3-2002	10,802	-	9,537	-
English Language Acquisition Grants	84.365	044933-T3S1-2003	5,228	-	2,249	-
Improving Teacher Quality State Grants	84.367	044933-TRS1-2003	58,440	-	56,006	-
<i>Total United States Department of Education</i>			645,103	-	626,299	-
United States Department of Health and Human Services						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	93.778	044933	7,777	-	7,777	-
Corporation for National and Community Service						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America_School and Community Based Programs	94.004	044933-SVS5-2003/SVSP-2002	60,000	-	66,856	-
Total Federal Awards			\$ 746,751	\$ 46,327	\$ 734,803	\$ 46,327

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

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of Upper Arlington City School District, Franklin County, Ohio, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 15, 2004, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 15, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated January 15, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
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www.auditor.state.oh.us

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 15, 2004



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of 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 are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the District in a separate letter dated January 15, 2004.

Internal Control Over Compliance

The management of the District 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Upper Arlington City School District
Franklin County

Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal
Program and Internal Control over Compliance in Accordance with OMB Circular A-133
Page 2

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

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 15, 2004

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**UPPER ARLINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)**

JUNE 30, 2003

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10625-001	Questioned Costs	Yes	



**Auditor of State
Betty Montgomery**

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UPPER ARLINGTON CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**