

Bexley City School District

Franklin County, Ohio

Single Audit

June 30, 2009





Mary Taylor, CPA
Auditor of State

Board of Education
Bexley City School District
348 Cassingham Road
Bexley, Ohio 43209

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 18, 2010

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BEXLEY CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Bexley City School District
348 Cassingham Road
Bexley, Ohio 43209

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bexley City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, each major fund and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
December 21, 2009

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

As management of the Bexley City School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

The District's net assets are \$32,603,622 as of June 30, 2009 according to the Statement of Net Assets. This represents an increase of \$1,767,603 or 5.73% over last year. Revenues for 2009 increased about \$351 thousand or 1%, while expenses increased \$1.35 million or 4% over 2008. In 2009, property tax revenues increased by \$2.1 million. The increase was primarily a result of the timing of the certification of revenues by the County. In Ohio, the portion of property taxes legally available as an advance, on the future August real estate settlement, by June 30 is reported as revenue on both the full accrual and modified accrual basis of accounting. Thus, in the previous years 2008 and 2007 Franklin County certified that the amount of taxes available for advance was approximately \$6.8 million and \$7.8 million respectively; whereas, the amount available for advance at June 30, 2009 was approximately \$8 million. This timing resulted in an approximate \$2.2 million increase in property tax revenues in 2009 compared to 2008. Income tax revenue decreased \$1.3 million as a result of historic losses in the stock market during fiscal year 2009. The District continued to contain operating expense within revenues generated for the fiscal year.

In November 2004, the taxpayers in the District passed a .75% income tax operating levy. Upon passage of this new tax, the District rolled back the 3.5 mill property tax operating levy that was passed by the voters in November 2003. Fiscal year 2006 was the first full year of the income tax collection which was anticipated to generate approximately \$6.3 million per year. The actual income tax revenue recognized was \$5,333,301, \$6,624,746 and \$6,285,200 in 2009, 2008 and 2007, respectively.

The General Fund reported a positive fund balance of \$20,945,114.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as

property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds appears on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. These statements provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and 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 basic 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 you 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 Funds

The District's fiduciary fund includes assets held for Student Managed activities and a portion of the assets of the Bexley Education Foundation. The District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$32,603,622 according to the Statement of Net Assets at the close of the most recent fiscal year.

Approximately 36.5% of the District's net assets reflect 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 will not be used to liquidate these liabilities.

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

**Bexley City School District
Net Assets**

	Governmental Activities	
	2008	
	2009	As Restated
Current assets	\$ 41,972,721	\$ 41,635,630
Capital assets	38,325,376	38,999,347
Total assets	80,298,097	80,634,977
Current liabilities	16,136,907	16,526,584
Long-term liabilities	31,557,568	33,272,374
Total liabilities	47,694,475	49,798,958
Net Assets:		
Invested in capital, net of debt	11,903,231	10,996,061
Restricted	2,346,782	2,124,879
Unrestricted	18,353,609	17,715,079
Total net assets	\$ 32,603,622	\$ 30,836,019

A portion of the District's net assets (7.2%) 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. The 2008 "Invested in capital, net of related debt" was restated to properly remove the Library debt from this classification as this debt does not relate to the District's capital assets.

**Bexley City School District
Changes in Net Assets**

	2009	2008
Program revenues:		
Charges for services	\$ 691,609	\$ 625,525
Operating grants and contributions	1,623,809	1,793,361
Capital grants and contributions	101,589	267,438
General revenues:		
Property taxes	20,858,299	18,750,187
Income taxes	5,333,301	6,624,746
State entitlements	7,327,240	7,122,739
Investment income	666,202	923,521
Other	300,252	443,843
Total revenues	36,902,301	36,551,360
Program expenses:		
Instructional	19,061,827	18,049,668
Support services	11,561,103	11,147,055
Co-curricular student activities	1,073,069	1,075,768
Community services	900,698	797,386
Interest on long-term debt	1,345,003	1,525,690
Depreciation - unallocated	1,192,998	1,190,227
Total expenses	35,134,698	33,785,794
Change in net assets	\$ 1,767,603	\$ 2,765,566

Governmental Activities

Net assets of the District’s governmental activities increased by \$1,767,603 for the year ended June 30, 2009. In addition, the District continued to contain operating expenses within the revenues generated for the fiscal year.

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 the 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 on voter approval of operating tax issues, management of the resources is of paramount concern to the District’s 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 2009 cost of program services and the 2009 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.

Programs	Total Cost of Services		Net Cost of Service	
	2009	2008	2009	2008
Instructional services	\$ 19,061,827	\$ 18,049,668	18,293,778	17,127,678
Support services	11,561,103	11,147,055	10,830,801	10,267,841
Co-curricular student activities	1,073,069	1,075,768	839,060	864,834
Community services	900,698	797,386	216,051	123,200
Interest on long-term debt	1,345,003	1,525,690	1,345,003	1,525,690
Depreciation - unallocated	1,192,998	1,190,227	1,192,998	1,190,227
Total	<u>\$ 35,134,698</u>	<u>\$ 33,785,794</u>	<u>32,717,691</u>	<u>31,099,470</u>

Local property and income taxes make up 71% of total revenues for governmental activities. The net services column reflecting the need for \$32,717,691 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 \$24,474,934, which represents an increase of \$686,753 as compared to last year’s total of \$23,788,181 (on a consistent basis) according to the Governmental Funds Balance Sheet. The schedule below shows the fund balance and the total change in fund balance from June 30, 2008 to 2009.

	Fund Balance at June 30, 2009	Fund Balance at June 30, 2008	Increase (Decrease)
General fund	\$ 20,945,114	\$ 20,373,963	\$ 571,151
Bond retirement fund	2,488,850	2,241,464	247,386
Other governmental funds	1,040,970	1,172,754	(131,784)
Total	<u>\$ 24,474,934</u>	<u>\$ 23,788,181</u>	<u>\$ 686,753</u>

General Fund

The District's General Fund balance increased \$571,151 or 2.8%. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

Revenues

	2009	2008	% Change
Property taxes	\$ 17,938,976	\$ 16,085,448	11.52%
Income taxes	5,070,708	6,624,746	-23.46%
Intergovernmental	6,947,710	6,821,249	1.85%
Investment income	652,300	886,760	-26.44%
Other revenue	183,312	197,738	-7.30%
Total	<u>\$ 30,793,006</u>	<u>\$ 30,615,941</u>	0.58%

The increase in property tax revenue was primarily a result of the timing of the certification of revenues by the County, as noted in the financial highlights above. In November 2004, the taxpayers in the District passed a .75% income tax operating levy. Revenue from the income tax levy decreased in 2009 as a result of historic losses of over 30% in stock market. A significant portion of the district's income tax revenue is generated by capital gains.

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

Expenditures by Function

	2009	2008	% Change
Instructional services	\$ 18,438,513	17,073,964	7.99%
Support services	9,954,954	9,785,681	1.73%
Co-curricular student activities	786,709	792,618	-0.75%
Community service	38,771	3,082	1157.98%
Capital outlay	873,900	783,457	11.54%
Total	<u>\$ 30,092,847</u>	<u>28,438,802</u>	5.82%

Expenditures are up 5.8% over the prior year mostly due to salary and benefit increases, including increased health insurance premiums, associated with existing staff. Revenues and other financing sources exceeded expenditures and other financing uses in the general fund during the fiscal year resulting in an increase in fund balance of \$571,151.

Bond Retirement Fund

The Bond Retirement Fund, a debt service fund, is funded primarily with property tax revenue and state property tax allocation at the level necessary to meet debt service requirements. The \$247,386 increase in fund balance is due to an increase in the property taxes allocated to this fund to meet future debt service requirements.

Other Governmental Funds

Other governmental funds consist of Special Revenue and Capital Projects funds. Fund balance in these funds decreased by \$131,784.

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.

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.

Revenue was estimated in the original budget at approximately \$27.18 million. This original estimate did not include an amount for June 2009 property tax revenue advances; actual property tax revenue advances in June 2009 were \$1.7 million. The revised budget for revenue was approximately \$29 million.

Capital Assets

The District has \$38,325,376 invested in governmental activity capital assets net of depreciation. There was no significant capital asset activity during the fiscal year. Detailed information regarding capital asset activity is included in Note 5 of the Notes to the Basic Financial Statements on page 28 of this report.

Debt

On June 30, 2009, the District had \$27,919,988 in outstanding principal on its general obligation bonds. The District paid \$1,830,000 in principal on bonds outstanding and \$1,150,426 in interest payments during the 2009 fiscal year.

Detailed information regarding long-term debt is included in Note 6 of the Notes to the Basic Financial Statements on page 29 of this report.

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

Current Financial and Economic Conditions

The latest five-year forecast as prepared in October 2009 shows a positive cash balance through fiscal year 2012. However, the future financial stability of the District is not without challenges. The first challenge is for management to ensure resources can be preserved as long as possible by continuing to maintain careful financial planning and prudent fiscal management. The second challenge is based in the local economy and the state funding of education in Ohio.

The District's school income tax revenue has experienced a sharp decline due to the economy and several residents that moved out of state for tax purposes. The District expects the revenue from income taxes to make a slow recovery.

The most recent state budget bill, House Bill 1, implements an Evidence Based Model funding program for public school districts. However, due to the current economic downturn and limited resources, much of this model cannot be fully implemented for several years. Additionally, HB 1 uses approximately \$3.2 billion in federal stimulus funds and it is difficult to predict whether state tax revenues will rebound enough in the future years to support the new method of education funding. Based on the new model, the District's future state revenue would be reduced to almost no funding from the State. The current state funding model guarantees the District to not have a reduction in state aid of more than two percent per year. The two percent reduction per year is the best the District can hope for in State funding at this time.

Management continues to look at the long term financial stability of the District. Current projections shows cash position as being negative at the end of fiscal year ending June 30, 2013. The District will continue to look at ways to reduce cost between now and then while exploring various revenue options. The District will be discussing the need for an additional operating levy in November 2010 with the community. The type and amount of the proposed operating levy will be determined in the first half of 2010 calendar year.

Request for Information

This financial report is designed to provide the citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show accountability for the money it receives. Questions concerning any information provided in this report or request for additional financial information should be addressed to the Treasurer of the Bexley City School District, Christopher Essman at 348 S. Cassingham Road, Bexley, Ohio 43209.

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BASIC FINANCIAL STATEMENTS

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Bexley City School District
STATEMENT OF NET ASSETS
JUNE 30, 2009

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and investments	\$ 20,241,391
Receivables	21,393,055
Due from other- Governments	77,359
Inventory	8,127
Prepaid assets and deferred charges	252,789
Capital assets:	
Land	154,150
Other capital assets, net	38,171,226
TOTAL ASSETS	80,298,097
LIABILITIES:	
Accounts payable	486,416
Unearned revenue	11,883,283
Accrued liabilities	3,767,208
Long-term liabilities:	
Due within one year	2,175,000
Due in more than one year	29,382,568
TOTAL LIABILITIES	47,694,475
NET ASSETS	
Invested in capital assets, net of related debt	11,903,231
Restricted for:	
Capital Projects	742,382
Debt Service	1,492,135
Other purposes	112,265
Unrestricted	18,353,609
TOTAL NET ASSETS	\$ 32,603,622

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

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Bexley City School District
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in Net</u>
		<u>and Sales</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities					
Instructional services:					
Regular	\$ 15,306,638	90,680	332,751	101,589	(14,781,618)
Special	3,465,541	-	243,029	-	(3,222,512)
Vocational	289,648	-	-	-	(289,648)
Support services:					
Operation and maintenance of plant	3,741,422	-	-	-	(3,741,422)
School administration	1,897,572	-	-	-	(1,897,572)
Pupils	1,391,633	-	150,169	-	(1,241,464)
Business operations	1,188,342	-	753	-	(1,187,589)
Instructional staff	2,108,513	-	135,672	-	(1,972,841)
Student transportation	449,854	-	-	-	(449,854)
Food service	557,193	366,920	71,924	-	(118,349)
Central services	184,362	-	4,864	-	(179,498)
General administration	42,212	-	-	-	(42,212)
Co-curricular student activities	1,073,069	234,009	-	-	(839,060)
Community services	900,698	-	684,647	-	(216,051)
Interest on long-term debt	1,345,003	-	-	-	(1,345,003)
Depreciation - unallocated*	1,192,998	-	-	-	(1,192,998)
Total Governmental Activities	<u>35,134,698</u>	<u>691,609</u>	<u>1,623,809</u>	<u>101,589</u>	<u>(32,717,691)</u>

General revenues:	
Property taxes	20,858,299
Income tax	5,333,301
Grants and entitlements not restricted to specific programs	7,327,240
Investment earnings	666,202
Miscellaneous	300,252
Total general revenues	<u>34,485,294</u>
Change in Net Assets	1,767,603
Net Assets Beginning of Year	<u>30,836,019</u>
Net Assets End of Year	<u>\$ 32,603,622</u>

* This amount excludes the depreciation that is included in the direct expenses of various programs.

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

Bexley City School District

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2009

	GENERAL	BOND RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and investments	\$ 17,286,158	1,668,474	1,286,759	20,241,391
Receivables:				
Property taxes	16,169,040	2,600,984	-	18,770,024
Income taxes	2,393,655	-	-	2,393,655
Other	163,772	-	65,604	229,376
Due from other:				
Governments	-	-	77,359	77,359
Interfund receivable	116,150	-	-	116,150
Inventory	-	-	8,127	8,127
Prepaid assets	16,811	-	-	16,811
	\$ 36,145,586	4,269,458	1,437,849	41,852,893
LIABILITIES:				
Accounts payable	\$ 446,097	15,163	25,156	486,416
Interfund payables	-	-	116,150	116,150
Deferred revenue	11,268,271	1,765,445	69,213	13,102,929
Accrued liabilities	3,486,104	-	186,360	3,672,464
TOTAL LIABILITIES	15,200,472	1,780,608	396,879	17,377,959
FUND BALANCES:				
Reserved for:				
Future appropriations	6,912,733	1,116,939	-	8,029,672
Encumbrances	303,908	-	84,714	388,622
Prepaid assets and inventory	16,811	-	8,127	24,938
Unreserved, reported in				
General fund	13,711,662	-	-	13,711,662
Special revenue fund	-	-	241,596	241,596
Debt Service fund	-	1,371,911	-	1,371,911
Capital projects fund	-	-	706,533	706,533
TOTAL FUND BALANCES	20,945,114	2,488,850	1,040,970	24,474,934
TOTAL LIABILITIES AND FUND BALANCES	\$ 36,145,586	4,269,458	1,437,849	41,852,893

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

Bexley City School District
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2009

Total Governmental Fund Balances \$ 24,474,934

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds. 38,325,376

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Deferred charges	235,978	
Property taxes receivable	887,840	
Income taxes receivable	262,593	
Due from other governments	69,213	
		1,455,624

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		(94,744)
Compensated absences		(2,212,253)
Bonds Payable, net:		
Bonds payable principal amount	(27,919,988)	
Accumulated accretion on discount debt	(1,895,150)	
Unamortized deferred amount on refunding	658,497	
Unamortized bond discount	44,284	
Unamortized bond premium	(232,958)	
		(29,345,315)

Net Assets of Governmental Activities \$ 32,603,622

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

Bexley City School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	GENERAL	BOND RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property taxes	\$ 17,938,976	2,870,547	-	20,809,523
Income tax	5,070,708	-	-	5,070,708
Intergovernmental:				
Federal Restricted Grants-in-aid	2,723	-	839,147	841,870
State:				
Unrestricted Grants-in-aid	6,933,372	393,868	-	7,327,240
Restricted Grants-in-aid	11,615	-	878,435	890,050
Investment income	652,300	-	13,902	666,202
Co-curricular activities	-	-	234,009	234,009
Charges for services	-	-	366,920	366,920
Tuition fees	90,680	-	-	90,680
Other	92,632	-	387,054	479,686
TOTAL REVENUES	30,793,006	3,264,415	2,719,467	36,776,888
EXPENDITURES:				
Current:				
Instructional services:				
Regular	15,099,286	-	402,353	15,501,639
Special	3,049,579	-	443,707	3,493,286
Vocational	289,648	-	-	289,648
TOTAL INSTRUCTIONAL SERVICES	18,438,513	-	846,060	19,284,573
Support services:				
Operation and maintenance of plant	3,221,626	-	5,559	3,227,185
School administration	1,863,892	-	-	1,863,892
Instructional staff	1,938,303	-	171,438	2,109,741
Pupils	1,206,085	-	189,756	1,395,841
Business operations	1,095,186	36,603	951	1,132,740
Student transportation	416,651	-	-	416,651
Food services	-	-	557,206	557,206
Central services	170,999	-	6,146	177,145
General administration	42,212	-	-	42,212
TOTAL SUPPORT SERVICES	9,954,954	36,603	931,056	10,922,613
Co-curricular student activities	786,709	-	221,930	1,008,639
Community services	38,771	-	865,135	903,906
Capital outlay	873,900	-	174,822	1,048,722
Debt service:				
Principal retirement	-	1,830,000	-	1,830,000
Interest	-	1,150,426	-	1,150,426
TOTAL EXPENDITURES	30,092,847	3,017,029	3,039,003	36,148,879
Excess (deficiency) of revenues over expenditures	700,159	247,386	(319,536)	628,009
OTHER FINANCING SOURCES (USES):				
Other	43,992	-	14,752	58,744
Transfers in	-	-	173,000	173,000
Transfers out	(173,000)	-	-	(173,000)
TOTAL OTHER FINANCING SOURCES (USES)	(129,008)	-	187,752	58,744
Net Change in Fund Balances	571,151	247,386	(131,784)	686,753
FUND BALANCES AT BEGINNING OF YEAR	20,373,963	2,241,464	1,172,754	23,788,181
FUND BALANCE AT END OF YEAR	\$ 20,945,114	2,488,850	1,040,970	24,474,934

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

Bexley 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, 2009

Net Changes in Fund Balances - Total Governmental Funds \$ 686,753

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 outlay in the current period.

Capital outlay expenditures capitalized	905,630	
Loss on disposal	(4,398)	
Depreciation expense	(1,575,203)	
		(673,971)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	66,669
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Repayment of principal is an expenditure in governmental funds, 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.	1,830,000
--	-----------

Premium and discounts on bond issuance are reflected in the balance of the long-term liability and amortized against interest expense over the life of the new debt.		
Amortization of bond premium (discount)	28,306	
Accretion of capital appreciation bonds	(113,686)	
		(85,380)

Issuance costs and the deferred amount resulting from the refunding bonds are reported as expenditures in the governmental fund, but these costs are capitalized and amortized to interest expense over the life of the new debt in the statement of activities.		
Amortization of bond issuance costs	(28,904)	
Amortization of deferred amount on refunding	(82,543)	
		(111,447)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is recorded when due.	2,250
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The expense related to compensated absences reported in the statement of activities does require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	52,729
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Change in Net Assets of Governmental Activities	\$ 1,767,603
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The notes to the basic financial statements are an integral part of this statement.

Bexley City School District
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and investments	\$ 114,051
Total assets	<u>\$ 114,051</u>
LIABILITIES	
Accounts Payable	\$ 8,222
Accrued wages	524
Due to others	<u>105,305</u>
Total liabilities	<u>\$ 114,051</u>

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2009

1. Reporting Entity

The Bexley City School District (the District) was organized May 1, 1917 and is a fiscally independent political subdivision of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by the citizens of Bexley.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the District's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose financial burden on the District. The District has no component units.

The Bexley Public Library is a school district library created under Chapter 3375 of the Ohio Revised Code and is located in the Bexley City School District. The Board of Trustees of the Library controls and manages the Library and issues its own financial statements. Although the Bexley Board of Education is required to approve appointments to the Board of Trustees and to approve the annual budget, the Board has no authority to reject the Library's recommendations.

The Board also acts as the Library's agent on any debt issues required. On September 1, 1990, as required by State law, the District issued, on behalf of the Library, general obligation bonds in the amount of \$4,130,000, which had been approved by the electors on May 8, 1990. The bonds are issued for the purpose of enlarging, rehabilitating, improving, adding to, furnishing and equipping the Library. Although the bonds are issued on behalf of the Library, and the proceeds of the bonds were transferred to the Board of Trustees of the Library, the bonds constitute indebtedness of the District and are considered in determining the District's debt limitations. Property tax revenues collected to retire the debt are paid directly to the District, and the District pays the interest and retires the debt.

However, the District has no ability to influence the library's operations significantly, no accountability over the fiscal matters of the Library, nor any responsibility for the Library's deficits. Accordingly, other than the debt and related property tax revenue referred to in the preceding paragraph, the Library's financial statements are not included herein.

Education support services are provided by the Bexley Education Foundation (the Foundation). The Foundation has a separate nineteen member Board of Governor's. The Board is not appointed by the Bexley Board of Education. The Foundation is a separate entity from the District with no financial interdependency. The Foundation makes cash donations to the District which are approved by the Board of Education. These moneys are accounted for in the agency fund in these financial statements. All other monies of the Bexley Education Foundation are held by the Bexley Foundation at Fifth Third Bank and the Columbus Foundation in the name of the Bexley Education Foundation. The money is invested by the Columbus Foundation. Accordingly, the District has no oversight responsibilities. The Foundation's separate financial statements are not included herein. In addition, the District has no ability to significantly influence operations and no accountability over the fiscal matters of the Foundation.

Within the District boundaries, St. Charles Preparatory School is operated by the Columbus Diocese and Columbus School for Girls is a privately operated school. 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 District, as directed by the nonpublic school. This financial activity is reflected in a special revenue fund for reporting purposes.

2. Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

(a) *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from legally separate *component units* for which the primary government is financially accountable. The District (primary government) has no business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to those who benefit from the goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting this definition of program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has no proprietary funds.

(b) *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied, provided they are collected and advanced or available for advance by the county auditor by the fiscal year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fund financial statements in the fiscal year in which taxes have been levied, provided they are collected and advanced or available for advance by the county auditor by the fiscal year-end. Tuition, income taxes, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following *major* governmental funds:

General Fund – The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

Bond Retirement Fund – The Bond Retirement Fund, a debt service fund, is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The District's *nonmajor* governmental funds include the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

Capital Project Funds – The nonmajor capital projects funds are used to account for financial resources to be used for building and permanent improvements and receipt and expenditures of SchoolNet monies.

Additionally, the District reports the following fund type:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. This includes Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District reports two agency funds, the Student Activities Agency Fund and the Bexley Educational Foundation Agency Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to those who benefit from the goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(c) *Cash*

Monies received by the District are pooled in a central bank account with individual fund balance integrity retained throughout.

(d) *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances are reported as reservations of fund balance, since they do not constitute expenditures or liabilities.

(e) *Investments*

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investment and for External Investment Pools," the District records all its investments at fair value as defined in this statement.

(f) *Inventory*

Inventory is valued at cost (first-in, first-out). The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed.

Commodities are valued at fair market value at the time of Donation.

(g) *Prepaid Assets*

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

of purchase and an expenditure/expense is recorded in the year in which services are consumed.

(h) *Capital Assets and Depreciation*

General capital assets are those assets specifically related to activities reported in the governmental funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during 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	10-40
Furniture and Equipment	5-20
Vehicles	5-20

(i) *Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/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/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.

(j) *Compensated Absence*

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

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 1.5 times the annual number of days.

District employees earn sick leave at fifteen days per year which, if not taken, accumulates on an unlimited basis until retirement. All employees may be paid upon retirement: 1.) one-fourth of the accumulated sick leave up to a maximum of 54 days; and 2.) one-tenth of the days over an accumulated balance of 250 days. All staff members who resign after ten years of Bexley service may be paid one-fourth of accumulated sick leave up to a maximum of 25 days.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

and retirements. These amounts are recorded in the accrued liabilities account in the fund or funds from which the employees who have accumulated the leave are paid.

(k) Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt is reported in the government-wide financial statements. Compensated absences are recognized as fund liabilities to the extent payments come due each period upon occurrence of resignation and retirement.

(l) Unearned/Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes, other than delinquent property taxes, for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue unless the revenue recognition criteria discussed in note 2(b) have been met. 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.

(m) Fund Balance Reserves / Restrictions

The District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Fund equity reserves have been established for encumbrances, prepaid assets, property tax revenue reserved by the Board for future year's appropriations.

The District complies with all restrictions governing the use of restricted assets. Such restrictions do not offer discretion regarding use of these resources in an unrestricted manner. When capital restricted funds, usually bond proceeds, are available, capital assets are acquired from such resources. Capital assets can be, however, and to a lesser amount are, acquired from unrestricted resources. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(n) Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

3. Cash and Investments

The investment and deposit of the District's monies is governed by the provisions of the ORC. In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; money market funds secured by United States obligations; and STAROhio. During fiscal year 2009, investments were limited to STAROhio, CDs, and federal agency securities. Earnings on investments are credited to the General Fund except earnings specifically related to the Capital Projects Fund, Food Service Fund, and the Scholarship Fund in compliance with ORC Section 3315.01. In fiscal 2009, the District reported total interest income of \$666,202 (\$652,300 in the General Fund, which includes \$65,010 assigned from other funds; and \$13,902 in Other Governmental Funds).

The District records all investment at fair value with the exception of repurchase agreements and nonnegotiable certificates of deposits which are recorded at cost. STAROhio is an investment pool managed

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

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

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2009, the carrying amount of all District deposits was \$12,212,158. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2009, \$6,521,275 of the District's bank balance of \$12,271,275 was exposed to custodial risk as discussed above, while \$5,750,000 was covered by Federal Deposit Insurance Corporation.

As of June 30, 2009, the District had the following investments and maturities.

Investment type	Fair Value	Investment Maturities		
		6 months or less	7 to 12 months	13 to 18 months
STAROhio	\$ 2,476,230	2,476,230	-	-
FFCB	756,600	-	-	756,600
FHLB	3,306,009	1,252,929	1,021,800	1,031,280
FHLMC	1,604,445	-	1,604,445	-
	<u>\$ 8,143,284</u>	<u>3,729,159</u>	<u>2,626,245</u>	<u>1,787,880</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to two years or less.

Credit Risk. The District does not have a formal policy limiting credit risk. The District's investments in FHLB, FFCB and FHLMC were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned StarOhio an AAAM money market rating.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2009:

Investment type	Fair Value	% to total
STAROhio	\$ 2,476,230	30.41%
FFCB	756,600	9.29%
FHLB	3,306,009	40.60%
FHLMC	1,604,445	19.70%
Total	\$ 8,143,284	100.00%

Custodial Credit Risk for Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy related to custodial credit risk for investments; however, all of the District's investments are book-entry securities held by a safekeeping agent and are, therefore, not exposed to custodial credit risk.

4. Receivables and Accrued Liabilities

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

	Property Taxes	Income Taxes	Interest	Other	Totals
Governmental activities:					
General	\$ 16,169,040	2,393,655	156,633	7,139	18,726,467
Bond retirement fund	2,600,984	-	-	-	2,600,984
Other governmental funds	-	-	-	65,604	65,604
Total	\$ 18,770,024	2,393,655	156,633	72,743	21,393,055

Accrued Liabilities at June 30, 2009, consist of the following:

	Accrued Wages & Benefits	Compensated Absences	Totals
Governmental activities:			
General	\$ 3,210,289	275,815	3,486,104
Other governmental funds	186,360	-	186,360
Total governmental fund accrued liabilities	\$ 3,396,649	275,815	3,672,464
Accrued interest payable			94,744
Total government-wide accrued liabilities			3,767,208

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

5. Capital Assets

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

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2009</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 154,150	-	-	154,150
Total capital assets, not being depreciated	<u>154,150</u>	<u>-</u>	<u>-</u>	<u>154,150</u>
Capital assets, being depreciated:				
Building and improvements	51,118,720	444,475	-	51,563,195
Furniture, fixtures and equipment	6,263,250	378,429	-	6,641,679
Buses, autos and trucks	902,760	82,726	4,589	980,897
Total capital assets, being depreciated	<u>58,284,730</u>	<u>905,630</u>	<u>4,589</u>	<u>59,185,771</u>
Less accumulated depreciation for:				
Building and improvements	13,736,185	1,241,761	-	14,977,946
Furniture, fixtures and equipment	5,195,658	248,283	-	5,443,941
Buses, autos and trucks	507,690	85,159	191	592,658
Total accumulated depreciation	<u>19,439,533</u>	<u>1,575,203</u>	<u>191</u>	<u>21,014,545</u>
Total capital assets, being depreciated, net	<u>38,845,197</u>	<u>(669,573)</u>	<u>4,398</u>	<u>38,171,226</u>
Capital assets, net	<u>\$ 38,999,347</u>	<u>(669,573)</u>	<u>4,398</u>	<u>38,325,376</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$ 172,134
Special	326
Support services:	
Operation and maintenance of plant	33,733
School administration	1,633
Pupils	2,507
Business operations	29,202
Instructional staff	842
Student transportation	69,972
Food services	5,467
Central services	5,489
Co-curricular student activities	58,615
Community services	2,285
Unallocated	1,192,998
Total depreciation	<u>\$ 1,575,203</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

6. Long-Term Obligations

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

	Balance June 30, 2008	Additions	Payments/ Reductions	Balance June 30, 2009	Due in One Year
Compensated absences (accrued vacation and sick leave)	\$ 2,264,982	251,682	304,411	2,212,253	305,000
General obligation bonds payable	<u>28,841,423</u>	<u>-</u>	<u>921,435</u>	<u>27,919,988</u>	<u>1,870,000</u>
	<u>\$ 31,106,405</u>	<u>251,682</u>	<u>1,225,846</u>	<u>30,132,241</u>	<u>2,175,000</u>

Principal retirements reported on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances includes the payment of \$908,565 in accreted interest on discount debt which was paid in fiscal year 2009. The general obligation bonds are a direct obligation of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

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

The voters of the Bexley City School District approved a 5.6 mill bond levy in November 2000. The bond levy funded debt in the amount of \$27,050,000. The bonds were sold on February 16, 2001 and closed on February 20, 2001. The interest rates assigned to the debt vary from 3.25% to 5.23%. The funds were deposited in the building fund to provide funds for a building program which started in the 2001-2002 fiscal year. Moody's Investors Service assigned an Aa2 rating to the bonds.

On September 18, 2003, the District sold \$5,709,992 of general obligation bonds dated October 2, 2003 with final maturities on December 1, 2016. These bonds refunded \$5,710,000 of the District's Refunding Bonds dated August 12, 1993. The refunding resulted in a premium of \$ 192,762, issuance costs of \$40,977 and underwriter's discount of \$45,680. The transaction resulted in an economic gain of \$620,800 (present value) and a reduction of \$779,952 in future debt service payments. The new issue included \$5,395,000 in current interest serial bonds and \$314,992 in capital appreciation bonds. These capital appreciation bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal.

On December 7, 2005, the District sold \$9,189,991 of general obligation bonds dated December 21, 2005 with final maturity on December 1, 2027. These bonds refunded \$9,190,000 of the District's School Facilities Construction and Improvement Bonds, Series 2001 dated February 20, 2001. The final maturity of the 2001 Bonds had been December 1, 2027. The refunding resulted in a premium of \$533,627 issuance costs of \$91,101 and underwriter's discount of \$65,933. The transaction resulted in an economic gain of \$549,043 (present value) and a reduction of \$833,995 in future debt service payments.

The District sold \$9,354,998 of general obligation bonds dated March 9, 2006 with final maturity on December 1, 2022. These bonds refunded \$9,355,000 of the District's School Facilities Construction and Improvement Bonds, Series 2001 dated February 20, 2001. The final maturity of the 2001 Bonds refunded by the Series 2006 Bonds had been December 1, 2027. The refunding resulted in a premium of \$643,546 issuance costs of \$65,848 and underwriter's discount of \$55,386. The transaction resulted in an economic gain of \$429,062(present value) and a reduction of \$596,085 in future debt service payments.

The Bexley Public Library is a school district library created under Chapter 3375 of the Ohio Revised Code and is located in the Bexley City School District. The District acts as the Library's agent on any debt issues required. On September 1, 1990, as required by State law, the District issued, on behalf of the Library, general obligation bonds in the amount of \$4,130,000, which had been approved by the electors on May 8, 1990. The bonds were issued for the purpose of enlarging, rehabilitating, improving, adding to, furnishing and equipping the Library. Although the bonds are issued on behalf of the Library, and the proceeds of the bonds were

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

transferred to the Board of Trustees of the Library, the bonds constitute indebtedness of the District and are considered in determining the District's debt limitations. Property tax revenues collected to retire the debt are paid directly to the District, and the District pays the interest and retires the debt. At June 30, 2009, the remaining principal balance on this debt was \$1,025,000.

Reconciliation of Long-term Liabilities to the Statement of Net Assets

The following is a reconciliation of long-term liabilities to the Statement of Net Assets as of June 30, 2009:

Long-term Liabilities (summarized above)	\$	30,132,241
Accumulated Accretion on Discount Debt		1,895,150
Unamortized Deferred Amount on Refunding		(658,497)
Unamortized Bond Discount		(44,284)
Unamortized Bond Premium		232,958
Total		\$ 31,557,568
 Governmental Activities		
Long-term Liabilities:		
Due within one year	\$	2,175,000 ¹
Due in more than one year		29,382,568
Total Long-term Liabilities - governmental activities		\$ 31,557,568

¹ Amount includes \$860,000 of accumulated accretion on capital appreciation bonds due to be paid in 2010.

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

Year ending June 30,	Interest rate (%)	Principal	Interest
2010	3.17 - 7.125	\$ 1,009,993	\$ 1,983,561
2011	3.00 - 7.125	1,900,000	1,069,565
2012	3.20 - 7.125	1,970,000	985,473
2013	3.40	1,670,000	909,160
2014	3.50 - 3.65	1,735,000	842,223
2015 - 2019	3.65 - 5.00	6,309,995	4,973,750
2020 - 2024	4.00 - 4.25	6,735,000	2,104,116
2025 - 2028	4.15 - 4.30	6,590,000	576,116
Total		\$ 27,919,988	\$ 13,443,964

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. At June 30, 2009 the District's total net debt was approximately 6.07% (6.34% at June 30, 2008) of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County and the City of Bexley. These debt limitation calculations exclude \$1,895,150 in accretion of deep discount debt in accordance with State Law. As of June 30, 2009, these entities have complied with the requirement that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

Advance Refundings

As discussed above, the District defeased certain School Construction and Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2009, \$24,155,000 bonds outstanding are considered defeased.

7. Defined Benefit Pension Plans

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

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

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

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

For fiscal year ended June 30, 2009 members were required to contribute 10% of their annual covered salary

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

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

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007, were approximately \$2,232,647, \$2,154,605, and \$2,008,636, respectively; equal to 100% of the required contribution each year.

B. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocated the current employer contribution rate amount for the four funds (Pension Trust, Death Benefit, Medicare B, and Health Care Funds) of the system. For the fiscal year ending 2009 the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate allocated to the Health Care and Medicare B funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were approximately \$514,117, \$428,625; and \$397,270; respectively, equal to 100% of the required contribution for each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, four of the five members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. Postemployment Benefits

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

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

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2009, 2008 and 2007, the District's contributions to post-employment health care were \$159,475, \$153,900, and \$143,474; respectively, with 100% being contributed.

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees. The Health Care Plan provides health care and

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

prescription drug plans administered by two third-party administrators. The Retirement Board establishes rules for premiums paid by retirees for health care coverage and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in ORC 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive monthly reimbursements from SERS. The reimbursement amount is limited by statute to the lesser of January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.4, SERS' reimbursement to retirees was \$45.50. The Retirement Board, with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2009 the actuarially required allocation was .75%.

The Health Care Plan is funded through employer contributions. Each year after allocation for required benefits the Retirement Board allocates the remainder of the employers' 14% contribution. At June 30, 2009 (the most recent information available) the health care allocation was 4.16%.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SER covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

For the fiscal years ended June 30, 2009, 2008 and 2007 the District's contributions to the Health Care Plan, including the surcharge, were \$152,766, \$149,848, \$138,624, respectively, with 100% being contributed.

9. 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 20, 2009 and June 20, 2009, for those taxes due during 2009.

Real property taxes collected during calendar year 2008 had a lien and levy date of January 1, 2007. Tangible personal property taxes collected during calendar year 2008 had a lien and levy date of January 1, 2008.

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 2005 for collection in tax year 2006. The triannual update was completed on tax values as of 2008 for collection in 2009. The Franklin County Auditor froze all real estate property values at a zero percent increase. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost).

In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory is 6.25 percent for 2008 and will be zero for 2009.

The assessed values for collection in 2009, upon which the 2008 levies were based, were as follows:

Real Estate	\$	456,683,490
Public Utility		2,677,960
Tangible Property		316,193
Total	\$	<u>459,677,643</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

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 .57% (5.7 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 108.25 mills in 2009.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Bexley 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.

10. Risk Management and Contingent Liabilities

The District is exposed to various risks of loss from personnel actions, injuries to employees, theft or destruction of assets, and legal challenges to fiduciary decisions. To cover these risks, the District maintains property and casualty insurance of approximately \$87.6 million and personal liability insurance in the amount of \$1 million per occurrence and \$6 million in the aggregate. There was no reduction in coverage and no claims exceeded insurance coverage for the past three years. The District is registered and insured through the Ohio Bureau of Workers' Compensation for injuries to employees.

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.

Bexley 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.

11. Set-Aside Calculations

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

	Textbook Reserve	Capital Maintenance Reserve
Set-aside balance, July 1, 2008	\$ (980,693)	\$ -
Current year set-aside requirement	336,353	336,353
Qualifying expenditures	(700,221)	(1,469,270)
Total	\$ (1,344,561)	\$ (1,132,917)
Set-aside balance, June 30, 2009	\$ (1,344,561)	\$ -

Amounts listed as qualifying disbursements in this table are the total amounts for the year. The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks reserve and this extra amount may be used to reduce the set-aside requirement for future fiscal years. Therefore, this negative amount is being carried forward to the next fiscal year. The District also had qualifying disbursements and off-sets during the year that reduced the set-aside amounts below zero for the capital maintenance reserve. However, these amounts may not be used to reduce the set-aside requirement for future fiscal years.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2009

12. Interfund Activity

Interfund balances at June 30, 2009, consist of the following individual fund receivables and payables on the fund basis:

	Receivable	Payable
Interfund Receivables/Payables		
General Fund	\$ 116,150	-
Other Governmental Funds	-	116,150
Total governmental activities	\$ 116,150	116,150

Interfund advances are made to provide funds for federal projects and several activity funds until funding is received and are reported as Interfund Receivables/Payables. In general, interfund advances are made at the end of the fiscal year and then returned the next fiscal year when funding is received.

For the year ended June 30, 2009, transfers consisted of the following:

	Total	Transfers In
	Transfers	Other
	Out	Governmental Funds
<i>General Fund:</i>		
Nonreciprocal interfund transfer to fund food service operations	\$ 85,000	85,000
Nonreciprocal interfund transfer to fund Permanent Improvements	33,000	33,000
Nonreciprocal interfund transfer to fund District managed student activities	55,000	55,000
Total General Fund	173,000	173,000
Total Governmental Activities	\$ 173,000	173,000

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REQUIRED SUPPLEMENTARY INFORMATION

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Bexley City School District
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	
REVENUES:				
Property taxes	\$ 13,417,610	14,770,214	14,770,214	-
Income tax	6,100,000	6,128,492	6,128,492	-
Investment income	500,000	564,850	563,722	(1,128)
Tuition fees	79,000	85,500	84,690	(810)
Miscellaneous	2,407,488	2,783,859	2,783,455	(404)
State sources	4,264,000	4,272,960	4,272,965	5
Federal sources	2,700	2,700	2,723	23
TOTAL REVENUES	<u>26,770,798</u>	<u>28,608,575</u>	<u>28,606,261</u>	<u>(2,314)</u>
EXPENDITURES:				
Instructional services:				
Regular	15,198,447	15,144,116	14,994,711	149,405
Special	3,159,688	3,235,092	3,063,512	171,580
Vocational	370,870	322,070	317,312	4,758
Other Instructional	-	7,100	7,059	41
TOTAL INSTRUCTIONAL SERVICES	<u>18,729,005</u>	<u>18,708,378</u>	<u>18,382,594</u>	<u>325,784</u>
Support services:				
Operation and maintenance of plant	3,613,400	3,633,549	3,527,914	105,635
School administration	1,946,564	1,988,562	1,909,443	79,119
Instructional staff	2,053,493	2,043,887	1,974,732	69,155
Pupils	1,231,363	1,247,175	1,188,630	58,545
Business operations	1,249,986	1,141,146	1,073,399	67,747
Student transportation	493,430	488,965	451,696	37,269
Central services	207,458	206,749	177,050	29,699
General administration	64,011	64,011	44,583	19,428
TOTAL SUPPORT SERVICES	<u>10,859,705</u>	<u>10,814,044</u>	<u>10,347,447</u>	<u>466,597</u>
Facilities acquisition and construction	1,062,527	1,060,235	1,058,188	2,047
Extracurricular activities	810,639	803,070	774,654	28,416
TOTAL EXPENDITURES	<u>31,461,876</u>	<u>31,385,727</u>	<u>30,562,883</u>	<u>822,844</u>
Excess (deficiency) of revenues over expenditures	<u>(4,691,078)</u>	<u>(2,777,152)</u>	<u>(1,956,622)</u>	<u>820,530</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(200,000)	(200,000)	(198,000)	2,000
Advances in	389,202	349,202	349,202	-
Advances out	-	(76,149)	(76,149)	-
Refund of prior year expenditures (receipts)	18,000	40,150	40,481	331
TOTAL OTHER FINANCING SOURCES (USES)	<u>207,202</u>	<u>113,203</u>	<u>115,534</u>	<u>2,331</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(4,483,876)</u>	<u>(2,663,949)</u>	<u>(1,841,088)</u>	<u>822,861</u>
Prior year encumbrances appropriated	1,115,401	1,115,401	1,115,401	-
FUND BALANCES AT BEGINNING OF YEAR	<u>17,166,240</u>	<u>17,166,240</u>	<u>17,166,240</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 13,797,765</u>	<u>15,617,692</u>	<u>16,440,553</u>	<u>822,861</u>

See notes to required supplementary information.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2009

A. Budgetary Information

All governmental fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditures budget data reported in the budgetary comparison schedule:

(1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Bexley Board of Education normally adopts the Tax Budget at its December regular meeting or the Organization meeting in early January.

(2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

(3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Board adopted its 2009 appropriation measure in September 2008. The Board of Education adopted a temporary appropriation measure in June 2008 to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Supplemental appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level. At year-end appropriations did not exceed estimated resources and expenditures did not exceed appropriations in any fund at the object level. Appropriations for advances-in/advances-out by law are not required and are not budgeted.

B. Reconciling Budgetary Basis and GAAP

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

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

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information, Continued
June 30, 2009

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

Net Change in Fund Balance (GAAP Basis)	\$ 571,151
Adjustments, net	
Revenue Accruals	(1,841,053)
Expenditure Accruals	178,819
Encumbrances	(750,005)
Net Change in Fund Balance (Budget Basis)	<u><u>\$ (1,841,088)</u></u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Bexley City School District
348 Cassingham Road
Bexley, Ohio 43209

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bexley City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2009. 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.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 21, 2009.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of 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.



Kennedy Cottrell Richards LLC
December 21, 2009

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

Board of Education
Bexley City School District
348 Cassingham Road
Bexley, Ohio 43209

Compliance

We have audited the compliance of the Bexley 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, 2009. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe 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, 2009.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

We noted certain matters that we reported to management of the District in a separate letter dated December 21, 2009.

This report is intended solely for the information and use of 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 "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
December 21, 2009

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2009

<u>Federal grantor/Pass through grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass through number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Pass-through State Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	10.553		8,450		8,450	
National School Lunch Program	10.555	043620 LLP4	69,855	25,033	69,855	25,033
Total U.S. Department of Agriculture			<u>78,305</u>	<u>25,033</u>	<u>78,305</u>	<u>25,033</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Pass-through Ohio Department of Education:</i>						
Special Education--Grants to States--Title VI-B	84.027	043620 6BSF	546,234		513,223	-
Title I Grants to Local Education Agencies	84.010	043620 C1S1	151,013		150,939	-
Safe and Drug Free Schools	84.186	043620 DRS1	6,068		5,569	-
Innovative Education Program Strategy	84.298	043620 C2S1	6,809		5,682	-
Title II-D -- Technology Fund	84.318	043620 TJS1	878		1,371	-
Title III - English Language Acquisition Grants	84.365	N/A	1,592		2,877	-
Title II-A -- Improving Teacher Quality	84.367	043620 TRS1	57,909		58,647	-
Total U.S. Department of Education			<u>770,503</u>	<u>-</u>	<u>738,308</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY (FEMA)</u>						
<i>Passed through Ohio Emergency Management Agency:</i>						
Disaster Grants - Public Assistance	97.036		2,723	-	2,723	-
Total U.S. Department of Homeland Security			<u>2,723</u>	<u>-</u>	<u>2,723</u>	<u>-</u>
Total Receipts and Expenditures of Federal Awards			<u>\$ 851,531</u>	<u>\$ 25,033</u>	<u>\$ 819,336</u>	<u>\$ 25,033</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2009

(1) General

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Bexley City School District (District) as the primary government. The District's reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule.

(2) Basis of Accounting

The accompanying Schedule is presented on a cash basis of accounting in which revenues are recognized when received and expenditures are recognized when paid.

(3) Noncash Programs

The District values its noncash programs (National School Lunch Program) on the basis of the value of the goods received during the fiscal year.

(4) Receipts

The receipt balances are reported net of refunds to the governmental agency.

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA # 84.027 CFDA # 84.173 (N/A)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

JUNE 30, 2009

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

2009-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

The compilation and presentation of materially correct financial statements, schedules, and related footnotes is the responsibility of management of the District. This responsibility remains intact, even if management decides to outsource this function for efficiency purposes, or any other reason, to another accountant or consultant. Thus, it is important that management continue to enhance and monitor control procedures related to drafting financial statements, schedules and footnotes in order to prevent and detect potential misstatements prior to audit. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements.

As a result of our audit, we noted a material financial statement misstatement pertaining to an overstatement of due from other governments and intergovernmental revenue. We believe this misstatement to be indicative of a control deficiency in regard to the financial reporting process.

We recommend that District continue to monitor control procedures in place over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and related footnotes.

Official Response:

In preparing work papers to assist in the compilation of the basic financial statements, there was one internal entry made to record a receivable and related revenue for the August Homestead and Rollback settlement, that was ultimately recorded by our GAAP consultant. This is one of the few receipts that, according to GAAP, is not recorded as either a revenue or receivable if received within sixty days of fiscal year-end. We have already taken steps to prevent this occurrence in future years.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-1	OMB Circular A-102 – Equipment Use, Management, and Inventory – Special Education Cluster.	No	Partially Corrected

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Bexley City School District
348 Cassingham Road
Bexley, Ohio 43209

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10)A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC

December 21, 2009



Mary Taylor, CPA
Auditor of State

BEXLEY 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, 2010