

# BEXLEY CITY SCHOOL DISTRICT

Financial Statements

June 30, 2003





**Auditor of State  
Betty Montgomery**

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 KPMG, LLP, for the audit period July 1, 2002 through June 30, 2003. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2004

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# BEXLEY CITY SCHOOL DISTRICT

## FINANCIAL STATEMENTS

Table of Contents

June 30, 2003

	<u>Page</u>
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets. ....	11
Statement of Activities. ....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds. ....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Fiduciary Net Assets .....	18
Notes to the Basic Financial Statements .....	19
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund. ....	39
Notes to Required Supplementary Information .....	40

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## **Independent Auditors' Report**

The Board of Education  
Bexley City School District  
Bexley, Ohio:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bexley City School District (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position, where applicable, thereof 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 5, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in note 14, the District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2002. The District also adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6 of the GASB, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective as of July 1, 2002.



The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 37 through 39 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

December 5, 2003

**Bexley City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003

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, 2003. 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 \$19,142,576 as of June 30, 2003 according to the Statement of Net Assets. This represents an increase of \$4,325,922 or 29.2% over last year. The increase in net assets is due primarily to a \$2 million donation for the renovation of the District's main campus. In addition, there were a slight increase in property tax revenue, due to reappraisal, and intergovernmental revenues. The District continued to contain operating expenses within revenues generated for the fiscal year.

The General Fund reported a positive fund balance of \$9,992,514.

Where practical, prior year financial amounts have been presented in a manner consistent with the current year presentation. However, such prior year amounts are unaudited.

### **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 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 the Bexley Education Foundation. The District's fiduciary activities are reported in the Statement of Net Assets, Fiduciary Funds. 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 \$19,142,576 according to the Statement of Net Assets at the close of the most recent fiscal year.

Approximately 33.3% 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 2003 to 2002 follows from the Statements of Net Assets:

<b>Bexley City School District</b>		
<b>Net Assets</b>		
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Current assets	\$ 29,699,371	46,725,466
Capital assets	41,244,020	23,882,094
Total assets	<u>70,943,391</u>	<u>70,607,560</u>
Current liabilities	15,202,036	20,206,571
Long-term liabilities	36,598,779	35,584,335
Total liabilities	<u>51,800,815</u>	<u>55,790,906</u>
Net Assets:		
Invested in capital, net of debt	6,372,188	4,683,385
Restricted	3,727,890	2,260,024
Unrestricted	9,042,498	7,873,245
Total net assets	<u>\$ 19,142,576</u>	<u>\$ 14,816,654</u>

A portion of the District's net assets (19.5%) 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.

**Bexley City School District  
Changes in Net Assets  
For the Year Ended June 30, 2003**

<b>Program revenues:</b>	
Charges for services	\$ 572,984
Federal grants	467,319
State grants	913,619
Capital contribution - private source	2,218,901
<b>General revenues:</b>	
Property taxes	19,440,089
State entitlements	7,271,443
Investment income	457,778
Other	<u>209,699</u>
Total revenues	<u>31,551,832</u>
<b>Program expenses:</b>	
Instructional	15,218,146
Support services	8,375,799
Co-curricular student activities	837,866
Community services	632,586
Interest on long-term debt	<u>2,161,513</u>
Total expenses	<u>27,225,910</u>
Increase in net assets	<u>\$ 4,325,922</u>

*Governmental Activities*

Net assets of the District's governmental activities increased by \$4,325,922 for the year ended June 30, 2003. This increase is due primarily to a \$2 million donation for the renovation of the District's main campus. In addition, there were a slight increase in property tax revenue, due to reappraisal, and intergovernmental revenues. The District continued to contain operating expenses within 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 2003 cost of program services and the 2003 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
Instructional services	\$ 15,218,146	12,496,257
Support services	8,375,799	7,772,407
Co-curricular student activities	837,866	564,621
Community services	632,586	58,289
Interest on long-term debt	<u>2,161,513</u>	<u>2,161,513</u>
Total	<u>\$ 27,225,910</u>	<u>23,053,087</u>

Local property taxes make up 62% of total revenues for governmental activities. The net services column reflecting the need for \$23,053,087 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 \$13,281,842, which represents a decrease of \$15,169,221 as compared to last year's total of \$28,451,063 (on a consistent basis) according to the Governmental Funds Balance Sheet. The majority of this decrease was due to the expenditures of available balances in the Building Fund for the main campus renovation project. The schedule below shows the fund balance and the total change in fund balance from June 30, 2002 to 2003.

	Fund Balance at June 30, 2003	Fund Balance at June 30, 2002	Increase (Decrease)
General fund	\$ 9,992,514	9,502,321	490,193
Bond retirement fund	2,229,928	2,125,141	104,787
Building fund	657,756	16,385,626	(15,727,870)
Other governmental funds	<u>401,644</u>	<u>437,975</u>	<u>(36,331)</u>
Total	<u>\$ 13,281,842</u>	<u>28,451,063</u>	<u>(15,169,221)</u>

### General Fund

The District's General Fund balance increased \$490,193 or 5.1% primarily because of the slight increase in revenue and the fact that the District's expenditures have been contained within current year revenues. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

#### Revenues

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Property taxes	\$ 16,426,613	16,135,192	1.81%
Intergovernmental	6,928,296	6,967,146	-0.56%
Investment income	167,590	242,643	-30.93%
Other revenue	<u>165,157</u>	<u>150,236</u>	9.93%
Total	<u>\$ 23,687,656</u>	<u>23,495,217</u>	0.82%

Property tax revenue increased \$291,421 or 1.81% due primarily to of 19.45% in residential property valuation due to reappraisal of property by the Franklin County Auditor. The District

does receive an increase in property taxes on 5.7 unvoted millage as a result of reappraisal. Interest earnings are down \$75,053 or 30.93% due to declining interest rates and a lower cash balance as capital projects were being completed during 2003.

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

**Expenditures by Function**

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Instructional services	\$ 14,531,457	13,973,410	3.99%
Support services	7,520,362	6,847,119	9.83%
Co-curricular student activities	611,067	550,554	10.99%
Capital outlay	454,213	414,415	9.60%
Debt service on installment loan	-	24,500	-100.00%
Total	<u>\$ 23,117,099</u>	<u>\$ 21,809,998</u>	5.99%

Expenditures are up 5.99% over the prior year mostly due to salary and benefit increases, including increased health insurance premiums, associated with existing staff. Revenues exceeded expenditures in the general fund during the fiscal year resulting in an increase in fund balance of \$490,193.

*Bond Retirement Fund*

The Bond Retirement Fund, a debt service fund, is funded with primarily with property tax revenue and state property tax allocation at the level necessary to meet debt service requirements. The \$104,787 increase in fund balance is due to an increased allocation of property taxes to meet future debt service payments.

*Building Fund*

The activity in the Building Fund, a capital projects fund, represents the ongoing renovation of the District's main campus building. The \$15.7 million decrease in the fund balance of this fund is due to the expenditures related to this construction project, which was funded primarily with general obligation bonds issued in fiscal year 2001. This construction project is schedule to be completed in fiscal year 2004.

*Other Governmental Funds*

Other governmental funds consist of Special Revenue, Debt Service and nonmajor Capital Projects funds. Fund balance in these funds decreased by \$36,331.

**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.

Actual budget basis Property Tax revenue was approximately \$1.8 million more than the amount originally budgeted for this revenue source. The variance was due to the timing of advances on property taxes received from the county. Property tax estimates for the 2004 budget have been adjusted to reflect this change in timing related to the receipt of property tax revenues.

### **Capital Assets**

The District has \$41,244,020 invested in governmental activity capital assets net of depreciation. The capital asset balance includes \$29,090,057 of construction in progress related to the renovation of the District's main campus building. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

### **Debt**

On June 30, 2003, the District had \$34,664,606 in outstanding general obligation bonds. The District paid \$919,729 in principal on bonds outstanding and \$2,163,086 in interest payments during the 2003 fiscal year. In addition, the District had an installment purchase obligation payable at June 30, 2003 of \$207,226. Principal and interest payments on this installment loan were \$11,675 and \$1,530, respectively, during the 2003 fiscal year. Detailed information regarding long-term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2003, the District's general obligation debt was below the legal limit.

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 final maturities of the 1993 Refunding Bonds had been December 1, 2016. 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. This transaction has been reported as a subsequent event in the Notes to the Basic Financial Statement.

### **Restrictions and Other Limitations**

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

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

## **BASIC FINANCIAL STATEMENTS**

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**Bexley City School District**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

	GOVERNMENTAL ACTIVITIES
<b>ASSETS:</b>	
Cash and investments	\$ 11,675,637
Receivables	17,947,149
Due from other- Governments	10,562
Inventory	3,295
Prepaid assets	62,728
Capital assets:	
Land and construction in progress	29,244,207
Other capital assets, net	11,999,813
<b>TOTAL ASSETS</b>	<b>70,943,391</b>
 <b>LIABILITIES:</b>	
Accounts payable	2,167,900
Deferred revenue	9,531,986
Accrued liabilities	3,502,150
Long-term liabilities:	
Due within one year	950,182
Due in more than one year	35,648,597
<b>TOTAL LIABILITIES</b>	<b>51,800,815</b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,372,188
Restricted for:	
Capital Projects	2,085,010
Debt Service	1,519,704
Other purposes	123,176
Unrestricted	9,042,498
<b>TOTAL NET ASSETS</b>	<b>\$ 19,142,576</b>

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, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Instructional services:					
Regular	\$ 12,697,513	45,211	324,375	2,218,901	(10,109,026)
Special	2,323,281	-	133,402	-	(2,189,879)
Vocational	197,352	-	-	-	(197,352)
Support services:					
Operation and maintenance of plant	2,286,225	-	-	-	(2,286,225)
School administration	1,512,861	-	-	-	(1,512,861)
Pupils	1,456,689	-	183,646	-	(1,273,043)
Business operations	1,251,789	-	101,421	-	(1,150,368)
Instructional staff	1,086,117	-	-	-	(1,086,117)
Student transportation	280,428	-	-	-	(280,428)
Food service	403,449	254,528	60,265	-	(88,656)
Central services	65,017	-	3,531	-	(61,486)
General administration	33,224	-	-	-	(33,224)
Co-curricular student activities	837,866	273,245	-	-	(564,621)
Community services	632,586	-	574,297	-	(58,289)
Interest on long-term debt	2,161,513	-	-	-	(2,161,513)
<b>Total Governmental Activities</b>	<b>27,225,910</b>	<b>572,984</b>	<b>1,380,938</b>	<b>2,218,901</b>	<b>(23,053,087)</b>
General revenues:					
Property taxes				19,440,089	
Grants and entitlements not restricted to specific programs				7,271,443	
Investment earnings				457,778	
Miscellaneous				209,699	
<b>Total general revenues</b>				<b>27,379,009</b>	
Change in Net Assets				4,325,922	
Net Assets Beginning of Year				14,816,654	
Net Assets End of Year				19,142,576	

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

**Bexley City School District**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<u>GENERAL</u>	<u>BOND RETIREMENT FUND</u>	<u>BUILDING FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS:</b>					
Cash and investments	\$ 7,303,979	1,310,488	2,471,537	589,633	11,675,637
Receivables:					
Property taxes	14,212,000	2,480,000	-	-	16,692,000
Other	10,492	-	1,023,375	221,282	1,255,149
Due from other:					
Governments	4,550	-	-	6,012	10,562
Inventory	-	-	-	3,295	3,295
Prepaid assets	62,728	-	-	-	62,728
<b>TOTAL ASSETS</b>	<b><u>\$ 21,593,749</u></b>	<b><u>3,790,488</u></b>	<b><u>3,494,912</u></b>	<b><u>820,222</u></b>	<b><u>29,699,371</u></b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 233,668	15,560	1,837,156	81,516	2,167,900
Deferred revenue	8,834,069	1,545,000	1,000,000	205,696	11,584,765
Accrued liabilities	2,533,498	-	-	131,366	2,664,864
<b>TOTAL LIABILITIES</b>	<b><u>11,601,235</u></b>	<b><u>1,560,560</u></b>	<b><u>2,837,156</u></b>	<b><u>418,578</u></b>	<b><u>16,417,529</u></b>
<b>FUND BALANCES:</b>					
Reserved for:					
Future appropriations	7,325,972	1,279,028	-	-	8,605,000
Encumbrances	415,046	-	601,691	106,324	1,123,061
Prepaid assets and inventory	62,728	-	-	3,295	66,023
Unreserved, reported in					
General fund	2,188,768	-	-	-	2,188,768
Special revenue fund	-	-	-	70,608	70,608
Debt Service fund	-	950,900	-	-	950,900
Capital projects fund	-	-	56,065	221,417	277,482
<b>TOTAL FUND BALANCES</b>	<b><u>9,992,514</u></b>	<b><u>2,229,928</u></b>	<b><u>657,756</u></b>	<b><u>401,644</u></b>	<b><u>13,281,842</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 21,593,749</u></b>	<b><u>3,790,488</u></b>	<b><u>3,494,912</u></b>	<b><u>820,222</u></b>	<b><u>29,699,371</u></b>

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, 2003

<b>Total Governmental Fund Balances</b>	<b>\$ 13,281,842</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not functional resources and therefore are not reported in the funds.</p>	41,244,020
<p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.</p>	2,052,779
<p>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:</p>	
Interest payable	(837,286)
Compensated absences	(1,726,947)
Bonds payable	(34,871,832)
 <b>Net Assets of Governmental Activities</b>	 <b><u><u>\$ 19,142,576</u></u></b>

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, 2003

	GENERAL	BOND RETIREMENT FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Property taxes	\$ 16,426,613	2,835,757	-	-	19,262,370
Intergovernmental:					
Federal Restricted Grants-in-aid	-	-	-	467,319	467,319
State:					
Unrestricted Grants-in-aid	6,882,859	388,584	-	773,390	8,044,833
Restricted Grants-in-aid	45,437	-	-	94,792	140,229
Investment income	167,590	-	283,678	6,510	457,778
Co-curricular activities	-	-	-	273,245	273,245
Charges for services	-	-	-	254,528	254,528
Tuition fees	45,211	-	-	-	45,211
Other	119,946	-	1,007,026	78,691	1,205,663
<b>TOTAL REVENUES</b>	<b>23,687,656</b>	<b>3,224,341</b>	<b>1,290,704</b>	<b>1,948,475</b>	<b>30,151,176</b>
<b>EXPENDITURES:</b>					
Current:					
Instructional services:					
Regular	12,117,133	-	3,467	243,590	12,364,190
Special	2,216,622	-	-	169,952	2,386,574
Vocational	197,702	-	-	-	197,702
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>14,531,457</b>	<b>-</b>	<b>3,467</b>	<b>413,542</b>	<b>14,948,466</b>
Support services:					
Operation and maintenance of plant	2,312,338	-	-	3,697	2,316,035
School administration	1,417,355	-	30,789	-	1,448,144
Instructional staff	1,270,193	-	-	217,274	1,487,467
Pupils	1,150,692	-	-	119,992	1,270,684
Business operations	1,025,167	36,739	7,500	6,127	1,075,533
Student transportation	250,554	-	-	-	250,554
Food services	-	-	-	391,828	391,828
Central services	60,839	-	-	4,178	65,017
General administration	33,224	-	-	-	33,224
<b>TOTAL SUPPORT SERVICES</b>	<b>7,520,362</b>	<b>36,739</b>	<b>38,289</b>	<b>743,096</b>	<b>8,338,486</b>
Co-curricular student activities	611,067	-	-	187,965	799,032
Community services	-	-	-	679,457	679,457
Capital outlay	454,213	-	16,976,818	264,047	17,695,078
Debt service:					
Principal retirement	-	919,729	-	11,675	931,404
Interest	-	2,163,086	-	1,530	2,164,616
<b>TOTAL EXPENDITURES</b>	<b>23,117,099</b>	<b>3,119,554</b>	<b>17,018,574</b>	<b>2,301,312</b>	<b>45,556,539</b>
Excess (deficiency) of revenues over expenditures	570,557	104,787	(15,727,870)	(352,837)	(15,405,363)
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from installment loan	-	-	-	218,901	218,901
Other	(5,364)	-	-	22,605	17,241
Transfers in	15,000	-	-	90,000	105,000
Transfers out	(90,000)	-	-	(15,000)	(105,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(80,364)</b>	<b>-</b>	<b>-</b>	<b>316,506</b>	<b>236,142</b>
Net Change in Fund Balances	490,193	104,787	(15,727,870)	(36,331)	(15,169,221)
<b>FUND BALANCES AT BEGINNING OF YEAR, as restated</b>					
	9,502,321	2,125,141	16,385,626	437,975	28,451,063
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 9,992,514</b>	<b>2,229,928</b>	<b>657,756</b>	<b>401,644</b>	<b>13,281,842</b>

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, 2003

**Net Changes in Fund Balances - Total Governmental Funds** \$(15,169,221)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	17,361,926
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	1,383,415
Repayment of bond principal is an expenditure in governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	931,404
Proceeds from an installment loan is revenue in the governmental fund, but the proceeds increase long-term liabilities in the statement of net assets and does not result in revenue in the statement of activities	(218,901)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is recorded when due.	3,103
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.	34,196

**Change in Net Assets of Governmental Activities** \$ 4,325,922

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

**Bexley City School District**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and investments	\$ <u>521,024</u>
Total assets	<u>521,024</u>
LIABILITIES	
Accounts Payable	5,182
Due to others	<u>515,842</u>
Total liabilities	<u>521,024</u>
NET ASSETS	<u>\$ -</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, 2003

**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*, 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. For the 2002-2003 fiscal year, expenses and donations by the Foundation for the Bexley Schools of \$1,053,919 are accounted for in Special Revenue Fund 029, the Education Foundation, which is a part of these financial statements. In addition, the District held \$364,395 in excess Foundation money as of June 30, 2003. 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 School 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 School District, as directed by the nonpublic school. This financial activity is reflected in a special revenue fund for reporting purposes.

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

**2. Summary of Significant Accounting Policies**

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District'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 statements of activities demonstrate 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 properly included among 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 fiscal year for which taxes have been levied, provided they are collected and certified by the county auditor by the fiscal year-end. Additionally, taxes collected within 60 days after fiscal year-end are recorded as a receivable and revenue. Tuition, 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.

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

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.

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.

Building Fund – The Building Fund, a capital projects fund, is used to account for the receipts and expenditures related to the acquisition and construction of capital facilities including real property.

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 the 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

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.

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

(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.

(g) *Prepaid Assets*

Payments made to vendors for services that will benefit periods beyond June 30, 2003 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time 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	10-30
Furniture and Equipment	5-15
Vehicles	5-10

(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*

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 who resigns 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, 2003

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. For governmental fund financial statements, these accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements to the extent that they are due for payment at fiscal year end. Long-term liabilities paid from governmental funds are not recognized as a liability in the fund financial statements until due.

*(l) 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, 2003, but which were levied to finance fiscal year 2004 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 and reserves for textbooks, capital maintenance and budget stabilization, as required by state statute (see Note 12).

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.

*(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**

- (a) The District's bank deposits at June 30, 2003 were \$857,736 (including a \$500,000 non-negotiable CD) with a carrying balance of (\$53,414). Of the bank balance balance, \$200,000 was covered by Federal depository insurance, and \$657,736 was uninsured and uncollateralized. The \$657,736 was covered by pooled collateral as provided in Ohio Revised Code Chapter 135. All deposits are in institutions who are members of the Federal Reserve System.
- (b) The Ohio Revised Code authorizes the District 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; repurchase agreements secured by United States obligations; and State Treasury Asset Reserve of Ohio, which is managed by the Treasurer of

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

the State of Ohio (STAR Ohio). It is management's policy to invest in all of the above type of investments. Earnings on investments are credited to various funds at the discretion of the Board.

- (c) STAROhio is an investment pool managed 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 2a-7 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, 2003.
- (d) The District's investments are categorized to give an indication of the level of custodial credit risk assumed by the District at June 30, 2003. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the Counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the Counter party or its trust department or agent, but not in the District's name. The investment with STAR Ohio is not required to be categorized due to its nature.

	Category			Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Treasury and agency obligations	\$ -	2,938,259	-	2,938,259
Repurchase agreement	-	-	3,087,771	3,087,771
STAR Ohio	-	-	-	<u>6,224,045</u>
Total investments	-	2,938,259	3,087,771	<u><u>12,250,075</u></u>

#### 4. Receivables

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

	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
Governmental activities:				
General	\$ 14,212,000	7,573	2,919	14,222,492
Bond retirement fund	2,480,000	-	-	2,480,000
Building fund	-	23,375	1,000,000	1,023,375
Other governmental funds	-	-	<u>221,282</u>	<u>221,282</u>
Total	<u>\$ 16,692,000</u>	<u>30,948</u>	<u>1,224,201</u>	<u><u>17,947,149</u></u>

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

**5. Capital Assets**

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

	Balance June 30, 2002, as restated	Additions	Disposals	Transfers	Balance June 30, 2003
<u>Governmental activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 154,150	-	-	-	154,150
Construction in progress (CIP)	12,071,483	17,018,574	-	-	29,090,057
Total capital assets, not being depreciated	<u>12,225,633</u>	<u>17,018,574</u>	-	-	<u>29,244,207</u>
Capital assets, being depreciated:					
Building and improvements	17,855,562	459,800	-	-	18,315,362
Furniture, fixtures and equipment	4,408,705	621,083	-	-	5,029,788
Buses, autos and trucks	447,520	19,950	-	-	467,470
Total capital assets, being depreciated	<u>22,711,787</u>	<u>1,100,833</u>	-	-	<u>23,812,620</u>
Less accumulated depreciation for:					
Building and improvements	7,324,360	403,051	-	-	7,727,411
Furniture, fixtures and equipment	3,493,428	322,301	-	-	3,815,729
Buses, autos and trucks	237,539	32,129	-	-	269,668
Total accumulated depreciation	<u>11,055,326</u>	<u>757,481</u>	-	-	<u>11,812,807</u>
Total capital assets, being depreciated, net	<u>11,656,461</u>	<u>343,352</u>	-	-	<u>11,999,813</u>
Capital assets, net	<u>\$ 23,882,094</u>	<u>17,361,926</u>	-	-	<u>41,244,020</u>

As of June 30, 2003, the District is committed to complete the renovation of the main building by fiscal year 2004. The on going construction (\$29,090,057 as of June 30, 2003) to renovate the main campus was primarily funded by monies on hand received in conjunction with the November 2000, \$27,050,000 bond issue. See note 6.

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$ 641,359
Support services:	
Operation and maintenance of plant	17,989
School administration	2,258
Pupils	617
Business operations	13,943
Instructional staff	2,577
Student transportation	29,743
Food services	7,087
Co-curricular student activities	39,623
Community services	2,285
Total depreciation	<u>\$ 757,481</u>

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

**6. Long-Term Obligations**

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

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003
Accrued liabilities (accrued vacation and sick leave)	\$ 1,761,143	-	34,196	1,726,947
Installment purchase obligation payable	-	218,901	11,675	207,226
General obligation bonds payable	35,584,335	-	919,729	34,664,606
	<u>\$ 37,345,478</u>	<u>218,901</u>	<u>965,600</u>	<u>36,598,779</u>

Amounts Due In One Year

General obligation bonds payable	<u><u>\$ 950,182</u></u>
----------------------------------	--------------------------

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

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

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

The 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.

In 1993, the District issued \$9,994,473 in General Obligation Bonds with an average interest rate of 5.32 percent to advance refund \$10,614,862 of outstanding 1991 Series bonds with an average interest rate of 6.38 percent. The net proceeds of \$10,933,788 (including premium of \$939,315 and after payment of \$74,465 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. As a result, the 1991 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group. As of June 30, 2003, \$7,755,000 of defeased bonds are still outstanding.

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

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

Year ending June 30,	Interest rate (%)	Principal	Interest
2004	3.55 - 7.125	\$ 950,182	\$ 2,141,617
2005	3.60 - 7.125	973,818	2,114,065
2006	3.80 - 7.125	995,743	2,086,016
2007	3.90 - 7.125	1,145,550	1,956,218
2008	3.90 - 7.125	1,192,878	1,909,314
2009 - 2013	3.90 - 7.125	7,041,435	8,070,973
2014 - 2018	3.90 - 7.125	8,045,000	4,600,389
2019 - 2023	3.90 - 7.125	6,280,000	2,883,513
2024 - 2028	3.90 - 7.125	8,040,000	1,071,637
<b>Total</b>		<b>\$ 34,664,606</b>	<b>\$ 26,833,742</b>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. An exception to the 9% limit is provided in ORC 133.06(E). A district may declare themselves a "Special Needs" district. The Bexley Board of Education passed such a resolution on September 24, 2000 and received approval from the Ohio Department of Education to exceed the 9% debt limit. At June 30, 2003 the District's total net debt and unvoted net debt were approximately 8.97% (10.82% at June 30, 2002) 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. As of June 30, 2003, 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.

**7. Installment Purchase Obligations**

The District signed a three year master lease-purchase agreement (installment purchase) dated May 21, 2003 with Fifth-Third Bank. The lease is for \$218,901 for fitness equipment for the District. The rate of the lease is 2.86% with annual payments. The first payment was due on May 21, 2003.

**8. Defined Benefit Pension Plans**

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

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

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

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

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

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

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

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

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

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

Prior to February 1, 2002, benefits are increased annually by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

cost-of-living increases, up to a maximum of 3% of the original base benefit. Effective February 1, 2002, benefits are increased annually by 3% of the original base amount, regardless of the change in CPI.

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

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

- C. Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.
- D. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002, were 9.3% of covered payroll for members and 14% for employers. These were the same contribution rates for 2000 and 2001. Employer contributions for 2003, 2002, and 2001 were approximately \$1,806,952, \$1,727,456; and \$1,667,834; respectively, equal to 100% of the required contribution each year.
- E. STRS Ohio issues a stand-alone financial report. Copies of STRS Comprehensive Annual Financial Report, can be requested in writing to STRS, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

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

- A. SERS is a cost-sharing multiple-employer defined benefit pension plan.
- B. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. SERS members are eligible for retirement benefits at age 60 with 5 years of service credit, between ages 55 and 60 with at least 25 years of service credit, or at any age with 30 years of service credit. An annual pension will be based upon actual age at retirement, salary (average of best three years) and service credit. At age 65, a member will receive 2.1% of final average salary to 30 years, and 2.5% for each year over 30 years, or a minimum of \$86, for every year of service credit. Members under the age of 65 who retire with less than 30 years of service credit receive reduced benefits.
- C. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.
- D. Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Board. Employer contributions to SERS for the years ended June 30, 2003, 2002, and 2001 were approximately \$346,000; \$315,000; and \$295,000; respectively, equal to 100% of the required contribution for each year.
- E. SERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to SERS at: 300 E Broad Street., Columbus, Ohio 43215 or by calling (614) 222-5853.

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

**9. Postemployment Benefits Other Than Pension Benefits**

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

- A. STRS provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.
- B. The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.
- C. The STRS Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.
- D. For the year ended June 30, 2002, the net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

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

- A. The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premiums for health care. The portion is based on years of service up to a maximum of 75% of the premium.
- B. After the allocation for basic benefits, the remainder of the employer's 14% contributions is allocated to providing health care benefits. At June 30, 2002, the allocation rate was 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.
- C. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for healthcare at June 30, 2002 were \$182.9 million and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million.
- D. The number of participants currently receiving health care benefits is approximately 50,000.
- E. Employer contributions in the amount of \$211,000 and a surcharge in the amount of \$12,924 were used to fund post-employment benefits for the year ended June 30, 2003.

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

**10. Property Taxes**

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates, as established by Franklin County, were January 21, 2003 and June 20, 2003, for those taxes due during 2003.

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

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in December 2002. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). The assessed values for collection in 2003, upon which the 2002 levies were based, was as follows:

Real Estate	\$	379,300,420
Public Utility		3,948,740
Tangible Property		3,043,578
Total	\$	<u>386,292,738</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .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 109.72 mills in 2003.

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.

**11. 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 \$37 million and personal liability insurance in the amount of \$1 million per occurrence and \$5 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.

**12. Set-Aside Calculations**

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

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

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, 2002	\$ -	-
Current year set-aside requirement	313,003	313,003
Qualifying expenditures	(519,465)	(880,615)
Total	(206,462)	(567,612)
Set-aside balance, June 30, 2003	\$ -	-

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

**13. State School Funding Decision**

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

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

**14. Change in Accounting Principle/Business-Type Activities Restatement**

Effective July 1, 2002, the District adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Disclosures*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments. Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund but aggregate all of the District's governmental activities on the statement of net assets and statement of activities. Significantly, the District's statement of net assets includes both noncurrent assets and noncurrent liabilities of the District, which were not recorded in the fund financial statements. In addition, the government-wide statement of activities reflects the effect of depreciation expenses on the District's capital assets.

In addition to the government-wide financial statements, the District has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting for the District's General Fund, Special Revenue Funds, and Capital Projects Funds is similar to that previously presented in the District's financial statements, although the format of financial statements has been modified by Statement No. 34.

Statement No. 34 also requires as supplemental information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition, budgetary comparison

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

statements are presented that compare the adopted and modified budget with actual results for the General Fund.

For the General, Bond Retirement and Building funds, Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the District, certain note disclosures have been added and/or amended, including descriptions of activities of major funds, violations of legal or contractual provisions, future debt service and lease obligations in five-year increments, short-term obligations, interest rates, and interfund balances and transactions.

Effective July 1, 2002, the District adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This Interpretation clarifies that long-term indebtedness, including debt issues, compensated absences, and claims and judgments, should be recorded as a fund liability in governmental funds when they mature (i.e., are due) and unmatured liabilities should only be reported as general long-term liabilities in the government-wide statement of net assets. There was no financial statement effect of adopting this Interpretation for the District.

The beginning net asset amount for the governmental funds at June 30, 2002, represents fund balance for the combined governmental funds adjusted as follows:

<b>Total Governmental Fund</b>	
<b>Balances at June 30, 2002, as restated</b>	\$ 28,451,063
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	23,882,094
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	669,364
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	(840,389)
Compensated absences	(1,761,143)
Bonds payable	(35,584,335)
	(38,185,867)
<b>Net Assets of Governmental Activities, as restated</b>	<b>\$ 14,816,654</b>

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

In conjunction with the restatement above the District reclassified the Food Service Fund to a Special Revenue Fund, previously recorded as an Enterprise Fund, and the Expendable Trust Fund monies to a Special Revenue Fund. All of the District's Special Revenue Funds are included in Other Governmental Funds on the fund financial statements. The restatement is as follows:

<b>Total Governmental Fund</b>	
<b>Balances at June 30, 2002, as previously recorded</b>	\$ 28,394,130
Restatements:	
Food Service Fund reclassification to other governmental funds	11,903
Expendable Trust Fund reclassification to other governmental funds	45,030
<b>Total Governmental Fund</b>	
<b>Balances at June 30, 2002, as restated</b>	<u><u>\$ 28,451,063</u></u>

Additionally, the District restated Capital Assets in the beginning of the year as follows:

	Capital Assets, at cost
Balance at June 30, 2002	32,015,402
Restatement	<u>2,922,018</u>
Balance, as restated	<u><u>34,937,420</u></u>

This restatement is related to construction in progress included in accounts payable and capital outlay, but not reported in the General Fixed Asset Account Group at June 30, 2002.

**15. Transfers**

For the year ended June 30, 2003, transfers consisted of the following:

	Total	Transfers In	
	Transfers Out	General Fund	Other Governmental Funds
<i>General Fund:</i>			
Nonreciprocal interfund transfer to fund food service operations	\$ 75,000	-	75,000
Nonreciprocal interfund transfer to fund certain District managed student activities	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total General Fund	<u>90,000</u>	<u>-</u>	<u>90,000</u>
<i>Other Governmental Funds -</i>			
Nonreciprocal interfund reimbursement from the SchoolNet Fund to the General Fund	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total Other Governmental Funds	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total Governmental Activities	<u><u>\$ 105,000</u></u>	<u><u>15,000</u></u>	<u><u>90,000</u></u>

BEXLEY CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements, continued  
June 30, 2003

**16. Subsequent Event – Bond Refunding**

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 final maturities of the 1993 Refunding Bonds had been December 1, 2016. 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.

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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, 2003

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	
<b>REVENUES:</b>				
Property taxes	\$ 13,682,823	15,476,613	15,476,613	-
Investment income	200,000	182,000	181,260	(740)
Tuition fees	69,000	47,570	53,619	6,049
Miscellaneous	261,565	263,457	90,447	(173,010)
State sources	6,785,400	6,747,935	6,923,746	175,811
<b>TOTAL REVENUES</b>	<u>20,998,788</u>	<u>22,717,575</u>	<u>22,725,685</u>	<u>8,110</u>
<b>EXPENDITURES:</b>				
Instructional services:				
Regular	12,587,943	12,459,888	12,297,571	162,317
Special	2,404,022	2,335,485	2,384,161	(48,676)
Vocational	204,450	222,100	218,755	3,345
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<u>15,196,415</u>	<u>15,017,473</u>	<u>14,900,487</u>	<u>116,986</u>
Support services:				
Operation and maintenance of plant	2,299,950	2,369,652	2,508,437	(138,785)
School administration	1,454,800	1,444,646	1,412,386	32,260
Instructional staff	1,330,297	1,328,792	1,282,966	45,826
Pupils	1,165,185	1,158,118	1,155,453	2,665
Business operations	940,685	1,052,570	1,057,491	(4,921)
Student transportation	276,350	274,598	284,257	(9,659)
Central services	98,100	96,455	73,006	23,449
General administration	56,360	56,360	42,560	13,800
<b>TOTAL SUPPORT SERVICES</b>	<u>7,621,727</u>	<u>7,781,191</u>	<u>7,816,556</u>	<u>(35,365)</u>
Facilities acquisition and construction	442,400	456,145	607,698	(151,553)
Extracurricular activities	590,350	591,583	573,265	18,318
<b>TOTAL EXPENDITURES</b>	<u>23,850,892</u>	<u>23,846,392</u>	<u>23,898,006</u>	<u>(51,614)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,852,104)</u>	<u>(1,128,817)</u>	<u>(1,172,321)</u>	<u>(43,504)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	15,000	15,000	-
Transfers out	(120,000)	(124,500)	(124,500)	-
Refund of prior year expenditures (receipts)	4,000	30,177	25,716	(4,461)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(116,000)</u>	<u>(79,323)</u>	<u>(83,784)</u>	<u>(4,461)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(2,968,104)</u>	<u>(1,208,140)</u>	<u>(1,256,105)</u>	<u>(47,965)</u>
Prior year encumbrances appropriated	697,605	697,605	697,605	-
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>7,206,719</u>	<u>7,206,719</u>	<u>7,206,719</u>	<u>-</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 4,936,220</u>	<u>6,696,184</u>	<u>6,648,219</u>	<u>(47,965)</u>

See notes to required supplementary information.

**BEXLEY CITY SCHOOL DISTRICT**  
Notes to the Required Supplementary Information  
June 30, 2003

**A. Budgetary Information**

All governmental funds type are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditures budget data reported in the general purpose financial statements:

(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 2003 appropriation measure at a regular meeting on September 24, 2002. The Board of Education adopted a temporary appropriation measure at the June 24, 2002 special meeting to allow the District to operate until its annual appropriations are 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. 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).

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

**BEXLEY CITY SCHOOL DISTRICT**  
Notes to the Required Supplementary Information, Continued  
June 30, 2003

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 490,193
<b>Adjustments</b>	
Due to Revenues:	
Received in cash during 2003, accrued at June 30, 2002	13,253,129
Accrued at June 30, 2003 but not recognized in budget	(14,227,042)
Due to encumbrances-	
Recognized as expenditures in budget	(648,714)
Due to expenditures:	
Paid in cash during fiscal 2003, accrued at June 30, 2002	(2,904,843)
Accrued at June 30, 2003, but not recognized in budget	2,767,166
Other	14,006
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u><u>\$ (1,256,105)</u></u>

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**BEXLEY CITY SCHOOL DISTRICT**

OMB Circular A-133 Single Audit Report

June 30, 2003

(With Independent Auditors' Reports Thereon)

**BEXLEY CITY SCHOOL DISTRICT**  
OMB Circular A-133 Single Audit Report  
June 30, 2003

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program, Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Year Audit Findings	8



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**Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

The Board of Education  
Bexley City School District  
Bexley, Ohio  
and  
The Honorable Betty Montgomery  
Auditor of State:

We have audited the financial statements of Bexley City School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. 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.

This District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2002. The District also adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6 of the GASB, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective as of July 1, 2002.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in



which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the District's management, the Ohio Auditor of State, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

**KPMG LLP**

December 5, 2003



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**Independent Auditors' Report on Compliance With  
Requirements Applicable to Each Major Program, Internal Control  
Over Compliance in Accordance With OMB Circular A-133 and  
Schedule of Expenditures of Federal Awards**

The Board of Education  
Bexley City School District  
Bexley, Ohio  
and  
The Honorable Betty Montgomery  
Auditor of State:

**Compliance**

We have audited the compliance of Bexley City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings 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, 2003.

**Internal Control Over Compliance**

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



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

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

The District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of July 1, 2002. The District also adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6 of the GASB, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective as of July 1, 2002.

This report is intended solely for the information and use of the District’s management, the Ohio Auditor of State 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.

**KPMG LLP**

December 5, 2003

**BEXLEY CITY SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2003

<b>Federal grantor/ pass through grantor/ program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
U.S. Department of Agriculture:		
<b>Pass-through Ohio Department of Education:</b>		
National School Lunch Program	10.555	\$ 35,272
<b>Other Federal Assistance - Inkind:</b>		
Food Distribution	10.550	18,434
		<u>53,706</u>
U.S. Department of Education:		
<b>Pass-through Ohio Department of Education:</b>		
Title I Grants to Local Education Agencies	84.010	82,323
Special Education - Grants to State - Title VI-B	84.027	228,949
Drug-Free Schools Program	84.186	9,941
Eisenhower Professional Development State Grants	84.281	10,177
Innovative Education Program Strategy	84.298	18,314
School Renovations IDEA and Technology	84.352	16,815
Title II ATQA	84.367	51,171
		<u>417,690</u>
<b>Subtotal - U.S. Department of Education</b>		<u>417,690</u>
Total Federal Assistance		<u>\$ 471,396</u>

See accompanying independent auditors' report and notes to the Schedule of Expenditures of Federal Awards.

## **BEXLEY CITY SCHOOL DISTRICT**

### Notes to Schedule of Expenditures of Federal Awards

June 30, 2003

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Bexley City School District (the 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 are included on the Schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the 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 program (National School Lunch Program CFDA No. 10.550) on the basis of the value of the goods received during the fiscal year.

**BEXLEY CITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

**(1) Summary of Auditors' Results:**

- a) The type of report issued on the basic financial statements: **Unqualified opinion**
- b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None reported**  
Material weaknesses: **No**
- c) Noncompliance which is material to the basic financial statements: **No**
- d) Reportable conditions in internal control over major program: **None reported**  
Material weaknesses: **No**
- e) The type of report issued on compliance for major program: **Unqualified opinion**
- f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **No**
- g) Major program: **Special Education Title VI-B (CFDA #84.027)**
- h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- i) Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **Yes**

**(2) Findings Relating to the Basic Financial Statements Reported in Accordance With *Government Auditing Standards*:**

**None**

**(3) Findings and Questioned Costs Relating to Federal Awards:**

**None**

**BEXLEY CITY SCHOOL DISTRICT**

Summary Schedule of Prior Year Audit Findings

June 30, 2003

**Finding 02-1; Federal Programs Special Education Title VI-B, U.S. Department of Education, CFDA No. 84.027**

The District improved the process to have all employees certify their time spent working through the Federal Program twice each year. The Treasurer's Office has established a calendar to insure the process occurs, and it did occur in FY03 for all employees. The District will continue to monitor all new employees to ensure proper certification.

**Finding 02-2; Federal Program Title I, U.S. Department of Education, CFDA No. 84.010**

The District Treasurer requested the Director of Curriculum to make contact with the private schools to correct the Finding 02-2. The contact was made in FY03 as required. Procedures have been implemented by the Treasurer to ensure contact is made each year.



**Auditor of State  
Betty Montgomery**

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**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  
FEBRUARY 5, 2004**