



BEXLEY CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2004

(With Independent Auditors' Report Thereon)



**Auditor of State
Betty Montgomery**

Board of Education
Bexley City School District
348 South 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, 2003 to June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 6, 2005

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BEXLEY CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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Independent Auditors' Report

The Board of Education
Bexley City School District
Bexley, Ohio

and

The Honorable Betty Montgomery
Auditor of State:

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, 2004, 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, 2004, 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 17, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 footnote 2, the District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 39 through 41 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 17, 2004

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

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, 2004. 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 \$19,907,653 as of June 30, 2004 according to the Statement of Net Assets. This represents an increase of \$765,077 or 4% over last year. In 2003, the District recognized a one-time \$2 million donation for the renovation of the District's main campus. Revenues for 2004 were comparable to revenues of 2003, excluding the donation noted above. Expenses for 2004 increased approximately \$1.8 million or 6.8%. Approximately \$750 thousand of this increase was due to the first year's depreciation on the main campus building renovation, which were substantially complete in August 2003. The remaining increase in expense was due to contractual salary and benefit increases, including increased health insurance premiums, associated with existing staff. The District continued to contain operating expense within revenues generated for the fiscal year.

The General Fund reported a positive fund balance of \$11,077,329.

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 \$19,907,653 according to the Statement of Net Assets at the close of the most recent fiscal year.

Approximately 45.7% 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 2004 to 2003 follows from the Statements of Net Assets:

**Bexley City School District
Net Assets**

	Governmental Activities	
	2004	2003
Current assets	\$ 28,522,038	29,699,371
Capital assets	42,948,789	41,244,020
Total assets	71,470,827	70,943,391
Current liabilities	15,683,277	15,202,036
Long-term liabilities	35,879,897	36,598,779
Total liabilities	51,563,174	51,800,815
Net Assets:		
Invested in capital, net of debt	9,092,770	6,372,188
Restricted	2,379,691	3,727,890
Unrestricted	8,435,192	9,042,498
Total net assets	\$ 19,907,653	19,142,576

A portion of the District's net assets (11.9%) 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**

	2004	2003
Program revenues:		
Charges for services	\$ 603,288	572,984
Federal grants	515,237	467,319
State grants	746,715	913,619
Capital contribution - private source	-	2,218,901
General revenues:		
Property taxes	20,484,361	19,440,089
State entitlements	7,338,302	7,271,443
Investment income	119,876	457,778
Other	36,882	209,699
Total revenues	29,844,661	31,551,832
Program expenses:		
Instructional	16,681,119	15,218,146
Support services	8,747,374	8,375,799
Co-curricular student activities	903,935	837,866
Community services	675,950	632,586
Interest on long-term debt	2,071,206	2,161,513
Total expenses	29,079,584	27,225,910
Increase in net assets	\$ 765,077	4,325,922

Governmental Activities

Net assets of the District's governmental activities increased by \$765,077 for the year ended June 30, 2004. With the exception of a one-time \$2 million donation in 2003, revenues for 2004 were comparable to revenues of 2003. In addition, the District continued to contain operating expenses within the revenues generated for the fiscal year.

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the 2004 cost of program services and the 2004 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	
	2004	2003	2004	2003
Instructional services	\$ 16,681,119	15,218,146	16,378,463	12,496,257
Support services	8,747,374	8,375,799	8,120,654	7,772,407
Co-curricular student activities	903,935	837,866	633,585	564,621
Community services	675,950	632,586	10,436	58,289
Interest on long-term debt	<u>2,071,206</u>	<u>2,161,513</u>	<u>2,071,206</u>	<u>2,161,513</u>
Total	<u>\$ 29,079,584</u>	<u>27,225,910</u>	<u>27,214,344</u>	<u>23,053,087</u>

Local property taxes make up 68% of total revenues for governmental activities. The net services column reflecting the need for \$27,214,344 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 \$12,257,874, which represents a decrease of \$1,023,968 as compared to last year's total of \$13,281,842 (on a consistent basis) according to the Governmental Funds Balance Sheet. The majority of this decrease was due to the expenditures of in the Building Fund for the completion of the main campus renovation project. The schedule below shows the fund balance and the total change in fund balance from June 30, 2003 to 2004.

	Fund Balance at June 30, 2004	Fund Balance at June 30, 2003	Increase (Decrease)
General fund	\$ 11,077,329	9,992,514	1,084,815
Bond retirement fund	2,321,693	2,229,928	91,765
Building fund	(1,549,345)	657,756	(2,207,101)
Other governmental funds	<u>408,197</u>	<u>401,644</u>	<u>6,553</u>
Total	<u>\$ 12,257,874</u>	<u>13,281,842</u>	<u>(1,023,968)</u>

General Fund

The District's General Fund balance increased \$1,084,815 or 10.8% primarily because of the 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>2004</u>	<u>2003</u>	<u>% Change</u>
Property taxes	\$ 17,710,475	16,426,613	7.82%
Intergovernmental	6,967,535	6,928,296	0.57%
Investment income	103,847	167,590	-38.04%
Other revenue	121,647	165,157	-26.34%
Total	<u>\$ 24,903,504</u>	<u>23,687,656</u>	5.13%

Property tax revenue increased \$1,283,862 or 7.82% due primarily to the reappraisal of property by the Franklin County Auditor and an operating levy increase approved by the voters in November 2003. The reappraisal collected starting January 2003 and the collection of the 3.5 mill property tax levy began in January 2004. Interest earnings are down \$63,743 or 38.04% due to declining interest rates and a lower cash balance as capital projects were being completed during 2004.

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

Expenditures by Function

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Instructional services	\$ 14,651,501	14,531,457	0.83%
Support services	7,803,535	7,520,362	3.77%
Co-curricular student activities	623,337	611,067	2.01%
Capital outlay	501,055	454,213	10.31%
Total	<u>\$ 23,579,428</u>	<u>23,117,099</u>	2.00%

Expenditures are up 2.0% 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 \$1,084,815.

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 \$91,765 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 \$2.2 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 was 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 increased by \$6,553.

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 \$4.9 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 \$42,948,789 invested in governmental activity capital assets net of depreciation. The capital asset balance includes \$31,974,951 of construction costs related to the renovation of the District's main campus building, which was completed in 2004. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2003, the District had \$33,714,416 in outstanding principal on its general obligation bond. The District paid \$950,182 (excluding the refunding discussed below) in principal on bonds outstanding and \$2,109,684 in interest payments during the 2004 fiscal year. In addition, the District had an installment purchase obligation payable at June 30, 2004 of \$73,121. Principal and interest payments on this installment loan were \$71,062 and \$5,167, respectively, during the 2004 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, 2004, 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 in long-term obligations note to the basic financial statements.

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.

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BASIC FINANCIAL STATEMENTS

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Bexley City School District

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Cash and investments	\$ 12,707,269
Receivables	15,675,391
Due from other- Governments	28,403
Inventory	5,147
Prepaid assets	105,828
Capital assets:	
Land	154,150
Other capital assets, net	42,794,639
TOTAL ASSETS	<u>71,470,827</u>
LIABILITIES:	
Accounts payable	1,675,138
Deferred revenue	10,240,961
Accrued liabilities	3,380,178
Note payable	387,000
Long-term liabilities:	
Due within one year	1,331,940
Due in more than one year	34,547,957
TOTAL LIABILITIES	<u>51,563,174</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,092,770
Restricted for:	
Capital Projects	587,870
Debt Service	1,649,541
Other purposes	142,280
Unrestricted	8,435,192
TOTAL NET ASSETS	<u>\$ 19,907,653</u>

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, 2004

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instructional services:				
Regular	\$ 13,982,047	41,698	89,437	(13,850,912)
Special	2,487,693	-	171,521	(2,316,172)
Vocational	211,379	-	-	(211,379)
Support services:				
Operation and maintenance of plant	2,777,439	-	-	(2,777,439)
School administration	1,537,381	-	-	(1,537,381)
Pupils	1,530,301	-	147,602	(1,382,699)
Business operations	1,002,345	-	121,827	(880,518)
Instructional staff	1,057,648	-	-	(1,057,648)
Student transportation	291,765	-	-	(291,765)
Food service	421,156	291,240	61,133	(68,783)
Central services	89,140	-	4,918	(84,222)
General administration	40,199	-	-	(40,199)
Co-curricular student activities	903,935	270,350	-	(633,585)
Community services	675,950	-	665,514	(10,436)
Interest on long-term debt	2,071,206	-	-	(2,071,206)
Total Governmental Activities	29,079,584	603,288	1,261,952	(27,214,344)

General revenues:	
Property taxes	20,484,361
Grants and entitlements not restricted to specific programs	7,338,302
Investment earnings	119,876
Loss on disposal of assets	-
Miscellaneous	36,882
Total general revenues	27,979,421
 Change in Net Assets	 765,077
 Net Assets Beginning of Year	 19,142,576
Net Assets End of Year	19,907,653

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

Bexley City School District

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	GENERAL	BOND RETIREMENT FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and investments	\$ 9,330,022	1,774,729	973,670	628,848	12,707,269
Receivables:					
Property taxes	13,128,000	2,072,000	-	-	15,200,000
Other	21,408	-	450,411	3,572	475,391
Due from other:					
Governments	-	-	-	28,403	28,403
Interfund receivable	1,032,136	-	-	-	1,032,136
Inventory	-	-	-	5,147	5,147
Prepaid assets and deferred charges	25,837	-	-	-	25,837
TOTAL ASSETS	\$ 23,537,403	3,846,729	1,424,081	665,970	29,474,183
LIABILITIES:					
Accounts payable	\$ 414,383	6,036	1,136,905	117,814	1,675,138
Interfund payables	-	-	1,000,000	32,136	1,032,136
Deferred revenue	9,563,271	1,519,000	449,521	-	11,531,792
Accrued liabilities	2,482,420	-	-	107,823	2,590,243
Note payable	-	-	387,000	-	387,000
TOTAL LIABILITIES	12,460,074	1,525,036	2,973,426	257,773	17,216,309
FUND BALANCES:					
Reserved for:					
Future appropriations	7,897,000	1,244,000	-	-	9,141,000
Encumbrances	206,391	-	-	90,504	296,895
Prepaid assets and inventory	25,837	-	-	5,147	30,984
Unreserved, reported in					
General fund	2,948,101	-	-	-	2,948,101
Special revenue fund	-	-	-	174,338	174,338
Debt Service fund	-	1,077,693	-	-	1,077,693
Capital projects fund	-	-	(1,549,345)	138,208	(1,411,137)
TOTAL FUND BALANCES	11,077,329	2,321,693	(1,549,345)	408,197	12,257,874
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,537,403	3,846,729	1,424,081	665,970	29,474,183

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, 2004

Total Governmental Fund Balances \$ 12,257,874

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds. 42,948,789

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 1,370,822

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	(789,935)
Compensated absences	(1,943,887)
Bonds payable	(33,936,010)

Net Assets of Governmental Activities \$ 19,907,653

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, 2004

	GENERAL	BOND RETIREMENT FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Property taxes	\$ 17,710,475	2,779,659	-	-	20,490,134
Intergovernmental:					
Federal Restricted Grants-in-aid	-	-	-	515,237	515,237
State:					
Unrestricted Grants-in-aid	6,950,915	387,387	-	-	7,338,302
Restricted Grants-in-aid	16,620	-	-	730,095	746,715
Investment income	103,847	-	10,330	5,699	119,876
Co-curricular activities	-	-	-	270,350	270,350
Charges for services	-	-	-	291,240	291,240
Tuition fees	41,698	-	-	-	41,698
Other	79,949	-	567,463	125,148	772,560
TOTAL REVENUES	24,903,504	3,167,046	577,793	1,937,769	30,586,112
EXPENDITURES:					
Current:					
Instructional services:					
Regular	12,176,603	-	30,210	95,840	12,302,653
Special	2,263,448	-	-	190,057	2,453,505
Vocational	211,450	-	-	-	211,450
TOTAL INSTRUCTIONAL SERVICES	14,651,501	-	30,210	285,897	14,967,608
Support services:					
Operation and maintenance of plant	2,730,550	-	-	2,026	2,732,576
School administration	1,419,253	-	111,560	-	1,530,813
Instructional staff	1,374,073	-	-	151,603	1,525,676
Pupils	1,065,780	-	-	125,129	1,190,909
Business operations	804,692	209,894	-	7,423	1,022,009
Student transportation	284,899	-	-	-	284,899
Food services	-	-	-	390,563	390,563
Central services	84,089	-	-	5,051	89,140
General administration	40,199	-	-	-	40,199
TOTAL SUPPORT SERVICES	7,803,535	209,894	111,560	681,795	8,806,784
Co-curricular student activities	623,337	-	-	224,833	848,170
Community services	-	-	-	683,554	683,554
Capital outlay	501,055	-	2,743,124	138,666	3,382,845
Debt service:					
Principal retirement	-	6,660,182	-	71,062	6,731,244
Interest	-	2,107,959	-	5,167	2,113,126
TOTAL EXPENDITURES	23,579,428	8,978,035	2,884,894	2,090,974	37,533,331
Excess (deficiency) of revenues over expenditures	1,324,076	(5,810,989)	(2,307,101)	(153,205)	(6,947,219)
OTHER FINANCING SOURCES (USES):					
Proceeds from refunding bonds	-	5,709,992	-	-	5,709,992
Premium on issuance of refunding bonds	-	192,762	-	-	192,762
Other	-	-	-	20,497	20,497
Transfers in	1,025	-	100,000	140,286	241,311
Transfers out	(240,286)	-	-	(1,025)	(241,311)
TOTAL OTHER FINANCING SOURCES (USES)	(239,261)	5,902,754	100,000	159,758	5,923,251
Net Change in Fund Balances	1,084,815	91,765	(2,207,101)	6,553	(1,023,968)
FUND BALANCES AT BEGINNING OF YEAR	9,992,514	2,229,928	657,756	401,644	13,281,842
FUND BALANCE AT END OF YEAR	\$ 11,077,329	2,321,693	(1,549,345)	408,197	12,257,874

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, 2004

Net Changes in Fund Balances - Total Governmental Funds \$ (1,023,968)

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 capital outlay exceeded depreciation in the current period.	1,704,769
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(620,276)
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.	6,731,244
Proceeds from the issuance of refunding bonds and the related premium on the issuance is revenue in the governmental fund, but the proceeds and premium increase long-term liabilities in the statement of net assets and does not result in revenue in the statement of activities. Premium and discounts on bond issuance are reflected in the balance of the long-term liability and amortized against interest expense over the life of the new debt.	(5,893,358)
Issuance costs and the deferred amount resulting from the refunding bonds are reported as expenditures in the governmental fund, but these costs are capitalized and amortized to interest expense over the life of the new debt in the statement of activities.	177,927
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is recorded when due.	47,351
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.	(216,940)
Revenue was reported in the previous year's statement of activities related to transactions, which were to have resulted in an equipment donation. This donation will not be received.	(141,672)

Change in Net Assets of Governmental Activities \$ 765,077

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, 2004

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and investments	\$ <u>280,716</u>
Total assets	<u>280,716</u>
LIABILITIES	
Accounts Payable	1,571
Due to others	<u>279,145</u>
Total liabilities	<u>280,716</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, 2004

1. Reporting Entity

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

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

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

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

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

Education support services are provided by the Bexley Education Foundation (the Foundation). The Foundation has a separate nineteen member Board of Governor's. The Board is not appointed by the Bexley Board of Education. The Foundation is a separate entity from the District with no financial interdependency. The Foundation makes cash donations to the District which are approved by the Board of Education. For the 2003-2004 fiscal year, expenses and donations by the Foundation for the Bexley Schools of \$185,444 are accounted for in Special Revenue Fund 029, the Education Foundation, which is a part of these financial statements. In addition, the District held \$183,202 in excess Foundation money as of June 30, 2004. These moneys are accounted for in the agency fund in these financial statements. All other monies of the Bexley Education Foundation are held by the Bexley Foundation at Fifth Third Bank and the Columbus Foundation in the name of the Bexley Education Foundation. The money is invested by the Columbus Foundation. Accordingly, the District has no oversight responsibilities. The Foundation's separate financial statements are not included herein. In addition, the District has no ability to significantly influence operations and no accountability over the fiscal matters of the Foundation.

Within the District boundaries, St. Charles Preparatory School is operated by the Columbus Diocese and Columbus School for Girls is a privately operated school. The State provides funding for these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the District, as directed by the nonpublic school. This financial activity is reflected in a special revenue fund for reporting purposes.

2. Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with 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. For fiscal year ended June 30, 2004, the District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosure - an amendment of GASB Statement No. 3*. 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, 2004

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, 2004

(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, 2004 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, 2004

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, 2004, but which were levied to finance fiscal year 2005 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 13).

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

The investment and deposit of the District's monies is governed by the provisions of the ORC. In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; and STAROhio. During fiscal year 2004, investments were limited to STAROhio, repurchase agreements, CDs, and federal agency securities. Earnings on investments are credited to the General Fund except earnings specifically related to the Capital Projects Fund, Enterprise Fund, and the Private Purpose Trust fund which is in compliance with ORC Section 3315.01. In fiscal 2004 investment income of \$119,876 was recorded in the Governmental funds.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

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 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2004, the District and public depositories complied with the provisions of these statutes.

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

At June 30, 2004, the carrying amount of all District deposits was \$324,452. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2004, \$405,150 of the District's bank balance of \$548,644 was exposed to custodial risk as discussed above, while \$143,494 was covered by Federal Deposit Insurance Corporation.

As of June 30, 2004, the District had the following investments and maturities.

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
STAROhio	\$ 4,048,101	4,048,101	-	-	-
Repurchase Agreement	6,680,928	6,680,928	-	-	-
FHLB DN	247,251	-	247,251	-	-
FNMA DN	247,093	-	247,093	-	-
FHLB	745,117	249,340	248,435	247,342	-
FHLMC	510,720	-	-	510,720	-
Banker's Acceptance	184,323	184,323	-	-	-
	<u>\$ 12,663,533</u>	<u>11,162,692</u>	<u>742,779</u>	<u>758,062</u>	<u>-</u>

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

Credit Risk. The District's investments in FHLB, FNMA and FHLMC were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment in banker's acceptance was rated A-1 and P-1 by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned StarOhio an AAAM money market rating.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2004:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to total</u>
STAROhio	\$ 4,048,101	31.97%
Repurchase Agreement	6,680,928	52.76%
FNMA	247,093	1.95%
FHLB	992,368	7.84%
FHLMC	510,720	4.03%
Banker's Acceptance	184,323	1.46%
	<u>\$ 12,663,533</u>	<u>100.00%</u>

4. Receivables

Receivables at June 30, 2004, consist of the following:

	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
Governmental activities:				
General	\$ 13,128,000	17,808	3,600	13,149,408
Bond retirement fund	2,072,000	-	-	2,072,000
Building fund	-	-	450,411	450,411
Other governmental funds	-	-	3,572	3,572
Total	<u>\$ 15,200,000</u>	<u>17,808</u>	<u>457,583</u>	<u>15,675,391</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2004, follows:

	Balance June 30, 2003	Additions	Disposals	Transfers	Balance June 30, 2004
<u>Governmental activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 154,150	-	-	-	154,150
Construction in progress (CIP)	<u>29,090,057</u>	-	-	<u>(29,090,057)</u>	-
Total capital assets, not being depreciated	<u>29,244,207</u>	-	-	<u>(29,090,057)</u>	<u>154,150</u>
Capital assets, being depreciated:					
Building and improvements	18,315,362	2,886,894	-	29,090,057	50,292,313
Furniture, fixtures and equipment	5,029,788	303,841	-	-	5,333,629
Buses, autos and trucks	<u>467,470</u>	<u>21,459</u>	-	-	<u>488,929</u>
Total capital assets, being depreciated	<u>23,812,620</u>	<u>3,212,194</u>	-	<u>29,090,057</u>	<u>56,114,871</u>
Less accumulated depreciation for:					
Building and improvements	7,727,411	1,138,703	-	-	8,866,114
Furniture, fixtures and equipment	3,815,729	336,871	-	-	4,152,600
Buses, autos and trucks	<u>269,668</u>	<u>31,851</u>	-	-	<u>301,519</u>
Total accumulated depreciation	<u>11,812,807</u>	<u>1,507,425</u>	-	-	<u>13,320,232</u>
Total capital assets, being depreciated, net	<u>11,999,813</u>	<u>1,704,769</u>	-	<u>29,090,057</u>	<u>42,794,639</u>
Capital assets, net	<u>\$41,244,020</u>	<u>1,704,769</u>	-	-	<u>42,948,789</u>

During fiscal year 2004, the District is completed the renovation of its main campus building. The construction 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	\$ 1,372,898
Special	140
Support services:	
Operation and maintenance of plant	20,736
School administration	2,258
Pupils	801
Business operations	16,220
Instructional staff	3,582
Student transportation	26,832
Food services	6,813
Co-curricular student activities	54,861
Community services	2,284
Total depreciation	<u>\$ 1,507,425</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

6. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2004, follows:

	Balance June 30, 2003	Refunding/ Additions	Refunded	Payments/ Reductions	Balance June 30, 2004	Due in One Year
Compensated absences (accrued vacation and sick leave)	\$ 1,726,947	473,881	-	256,941	1,943,887	250,000
Installment purchase obligation payable	207,226	-	-	71,062	136,164	73,121
General obligation bonds payable	<u>34,664,606</u>	<u>5,709,992</u>	<u>5,710,000</u>	<u>950,182</u>	<u>33,714,416</u>	<u>1,008,819</u>
	<u>\$ 36,598,779</u>	<u>6,183,873</u>	<u>5,710,000</u>	<u>1,278,185</u>	<u>35,794,467</u>	<u>1,331,940</u>

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 District.

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

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

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

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

The following is a reconciliation of long-term liabilities to the Statement of Net Assets as of June 30, 2004:

Long-term Liabilities (summarized above)	\$ 35,794,467
Unamortized Deferred Amount on Refunding	(97,936)
Unamortized Bond Discount	(21,764)
Unamortized Bond Premium	205,130
Total	<u>\$ 35,879,897</u>

Governmental Activities

Long-term Liabilities:	
Due within one year	\$ 1,331,940
Due in more than one year	34,547,957
Total Long-term Liabilities - governmental activities	<u>\$ 35,879,897</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

The annual maturities of the general obligation bonds as of June 30, 2004, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2005	2.00- 7.125	\$ 1,008,818	\$ 1,989,848
2006	2.00 - 7.125	1,060,743	1,960,798
2007	2.00 - 7.125	1,210,550	1,830,207
2008	2.00 - 7.125	1,257,877	1,783,100
2009	2.30 - 7.125	811,430	2,237,190
2010 - 2014	3.00 - 7.125	7,709,990	6,740,060
2015 - 2019	3.75 - 7.125	7,470,000	4,147,170
2020 - 2024	3.90 - 7.125	6,595,000	2,559,006
2025 - 2029	3.90 - 7.125	6,590,000	696,744
 Total		<u>\$ 33,714,408</u>	<u>\$ 23,944,123</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2004 the District's total net debt and unvoted net debt were approximately 8.69% (8.97% at June 30, 2003) 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, 2004, 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. Short-term Obligations

Short-term Notes Payable activity of the District for the year ended June 30, 2004 was as follows:

	Principal			Principal	
	Outstanding at	Additions	Payments	Outstanding at	
	June 30, 2003			June 30, 2004	
Construction and Improvement Notes	\$ -	387,000	-	387,000	

On April 13, 2004, the District issued short term bond anticipation notes in the amount of \$387,000 for the purpose of constructing additions, renovating and improving existing school buildings. The notes, which mature on April 12, 2005, have an interest rate of 1.49%.

8. 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 was for the purchase of fitness equipment for the District with an original cost of \$218,901. The rate of the lease is 2.86% with annual payments. The first payment was due on May 21, 2003. Principal payments in 2003 and 2004 were \$11,675 and \$71,062, respectively, in the governmental funds.

9. Defined Benefit Pension Plans

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was also 13 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were approximately \$1,770,000, \$1,807,000, and \$1,727,000, respectively; equal to 100% of the required contribution each year.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were approximately \$362,000, \$315,000; and \$295,000; respectively, equal to 100% of the required contribution for each year.

C. Social Security System

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

10. Postemployment Benefits

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount was approximately \$126,000 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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 premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. The District's employer contributions of approximately \$127,000 and a surcharge in the amount of \$36,026 were used to fund the post-employment benefits for the year ended June 30, 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

11. Property Taxes

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates, as established by Franklin County, were January 21, 2004 and June 20, 2004, for those taxes due during 2004.

Real property taxes collected during calendar year 2004 had a lien and levy date of January 1, 2003. Tangible personal property taxes collected during calendar year 2004 had a lien and levy date of January 1, 2004.

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 2004, upon which the 2003 levies were based, was as follows:

Real Estate	\$	381,591,820
Public Utility		4,008,880
Tangible Property		2,363,857
Total	\$	<u>387,964,557</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 113 mills in 2004.

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.

12. 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.

13. Set-Aside Calculations

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

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, 2003	\$ -	-
Current year set-aside requirement	320,775	320,775
Qualifying expenditures	(748,701)	(856,639)
Total	(427,926)	(535,864)
Set-aside balance, June 30, 2004	\$ -	-

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

14. State School Funding Decision

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

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

15. Interfund Activity

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables on the fund basis:

	Receivable	Payable
Interfund Receivables/Payables		
General Fund	\$ 1,032,136	-
Building Fund	-	\$ 1,000,000
Other Governmental Funds	-	32,136
Total governmental activities	\$ 1,032,136	1,032,136

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2004

For the year ended June 30, 2004, transfers consisted of the following:

	Total	Transfers In		Other Governmental Funds
		Transfers Out	General Fund	
<i>General Fund:</i>				
Nonreciprocal interfund transfer to fund food service operations	\$ 85,000	-	-	85,000
Nonreciprocal interfund transfer to fund Building Fund activities	100,000	-	100,000	-
Nonreciprocal interfund transfer to fund Permanent Improvements	25,000	-	-	25,000
Nonreciprocal interfund transfer to fund District managed student activities	25,000	-	-	25,000
Nonreciprocal interfund reimbursement certain Special Revenue Funds	<u>5,286</u>	<u>-</u>	<u>-</u>	<u>5,286</u>
Total General Fund	<u>240,286</u>	<u>-</u>	<u>100,000</u>	<u>140,286</u>
<i>Other Governmental Funds -</i>				
Nonreciprocal interfund reimbursement to the General Fund	<u>1,025</u>	<u>1,025</u>	<u>-</u>	<u>-</u>
Total Other Governmental Funds	<u>1,025</u>	<u>1,025</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 241,311</u>	<u>1,025</u>	<u>100,000</u>	<u>140,286</u>

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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, 2004

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	
REVENUES:				
Property taxes	\$ 14,630,944	19,522,475	19,522,475	-
Investment income	170,000	106,000	105,919	(81)
Tuition fees	40,000	43,600	43,583	(17)
Miscellaneous	36,272	65,327	71,260	5,933
State sources	6,668,812	6,972,085	6,972,085	-
TOTAL REVENUES	<u>21,546,028</u>	<u>26,709,487</u>	<u>26,715,322</u>	<u>5,835</u>
EXPENDITURES:				
Instructional services:				
Regular	12,519,599	12,503,090	12,351,930	151,160
Special	2,395,105	2,386,720	2,232,051	154,669
Vocational	198,650	218,900	218,832	68
TOTAL INSTRUCTIONAL SERVICES	<u>15,113,354</u>	<u>15,108,710</u>	<u>14,802,813</u>	<u>305,897</u>
Support services:				
Operation and maintenance of plant	2,758,250	2,758,200	2,908,383	(150,183)
School administration	1,484,678	1,481,572	1,454,977	26,595
Instructional staff	1,424,125	1,413,890	1,373,370	40,520
Pupils	1,128,018	1,158,979	1,083,286	75,693
Business operations	992,060	993,377	861,003	132,374
Student transportation	307,510	300,560	300,395	165
Central services	97,400	97,400	82,140	15,260
General administration	50,570	50,570	42,394	8,176
TOTAL SUPPORT SERVICES	<u>8,242,611</u>	<u>8,254,548</u>	<u>8,105,948</u>	<u>148,600</u>
Facilities acquisition and construction	518,700	412,408	497,166	(84,758)
Extracurricular activities	609,960	609,960	602,622	7,338
TOTAL EXPENDITURES	<u>24,484,625</u>	<u>24,385,626</u>	<u>24,008,549</u>	<u>377,077</u>
Excess (deficiency) of revenues over expenditures	<u>(2,938,597)</u>	<u>2,323,861</u>	<u>2,706,773</u>	<u>382,912</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,025	1,025	-
Transfers out	(160,000)	(265,286)	(265,286)	-
Advances in	-	-	5,363	5,363
Advances out	-	-	(1,037,499)	(1,037,499)
Refund of prior year expenditures (receipts)	(1,000)	6,612	7,201	589
TOTAL OTHER FINANCING SOURCES (USES)	<u>(161,000)</u>	<u>(257,649)</u>	<u>(1,289,196)</u>	<u>(1,031,547)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(3,099,597)</u>	<u>2,066,212</u>	<u>1,417,577</u>	<u>(648,635)</u>
Prior year encumbrances appropriated	648,714	648,714	648,714	-
FUND BALANCES AT BEGINNING OF YEAR	<u>6,648,219</u>	<u>6,648,219</u>	<u>6,648,219</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,197,336</u>	<u>9,363,145</u>	<u>8,714,510</u>	<u>(648,635)</u>

See notes to required supplementary information.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2004

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 2004 appropriation measure at a special meeting on September 29, 2003. The Board of Education adopted a temporary appropriation measure at the June 23, 2003 regular 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).

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information, Continued
June 30, 2004

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

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 1,084,815
Adjustments, net	
Revenue Accruals	1,824,381
Expenditure Accruals	(870,846)
Encumbrances	(620,773)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u><u>\$ 1,417,577</u></u>

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BEXLEY CITY SCHOOL DISTRICT

OMB Circular A-133 Single Audit Report

June 30, 2004

(With Independent Auditors' Reports Thereon)

BEXLEY CITY SCHOOL DISTRICT
OMB Circular A-133 Single Audit Report
June 30, 2004

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

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 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2004. As described in footnote 2, the District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* as of July 1, 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.

Internal Control Over Financial Reporting

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 17, 2004.

Compliance and Other Matters

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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 17, 2004



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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, 2004. 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, 2004.

Internal Control Over Compliance

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



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 reportable 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 caused by error or fraud 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Our audit was performed for the purpose of forming opinions on the financial statements taken that collectively comprise the District's basic financial statements. 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.

As described in footnote 2, the District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* as of July 1, 2003.

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 17, 2004

BEXLEY CITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Federal grantor/ pass through grantor/ program title	Federal CFDA number	Federal expenditures
U.S. Department of Agriculture:		
Pass-through Ohio Department of Education:		
National School Lunch Program	10.555	\$ 40,896
Other Federal Assistance - Inkind:		
Food Distribution	10.550	22,590
		<u>63,486</u>
U.S. Department of Education:		
Pass-through Ohio Department of Education:		
Title I Grants to Local Education Agencies	84.010	70,895
Special Education - Grants to State - Title VI-B	84.027	304,880
Drug-Free Schools Program	84.186	6,037
Innovative Education Program Strategy	84.298	19,435
Title II D	84.318	127
Title II ATQA	84.367	56,860
Subtotal - U.S. Department of Education		<u>458,234</u>
Total Federal Assistance		<u>\$ 521,720</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, 2004

(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, 2004

(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



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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
JANUARY 18, 2005**