

Bexley City School District

Franklin County, Ohio

Single Audit

June 30, 2006





Mary Taylor, CPA
Auditor of State

Board of Education
Bexley City School District
348 S. Cassingham Rd.
Bexley, Ohio 43209

We have reviewed the *Independent Auditor's Report* of the Bexley City School District, Franklin County, prepared by Kennedy, Cottrell & Associates, LLC for the audit period July 1, 2005 to June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 27, 2007

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BEXLEY CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bexley City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2006, 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 28, 2006, 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.

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

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

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
Columbus, Ohio
December 28, 2006

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

As management of the Bexley City School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. 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 \$21,430,342 as of June 30, 2006 according to the Statement of Net Assets. This represents an increase of \$5,679,813 or 36% over last year. Revenues for 2006 increased about \$4.5 million or 14.1%, while expenses increased \$1.3 million or 4.5% over 2005. The District continued to contain operating expense within revenues generated for the fiscal year.

In November 2004, the taxpayers in the District passed a .75% income tax operating levy. Upon passage of this new tax, the District rolled back the 3.5 mill property tax operating levy that was passed by the voters in November 2003. This 3.5 mill property tax levy was only collected for one year. Fiscal year 2006 represents the first full year of the income tax collection which was anticipated to generate approximately \$6.3 million per year. The actual income tax revenue recognized in 2006 was \$6,357,089.

The General Fund reported a positive fund balance of \$12,822,803.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds appears on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. These statements provide detailed information about the most significant funds—not

the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the basic financial statements.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$21,430,342 according to the Statement of Net Assets at the close of the most recent fiscal year.

Approximately 32.2% 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 2006 to 2005 follows from the Statements of Net Assets:

**Bexley City School District
Net Assets**

	Governmental Activities	
	2006	2005
Current assets	\$ 34,773,263	28,953,576
Capital assets	40,605,721	41,627,714
Total assets	75,378,984	70,581,290
Current liabilities	18,014,108	17,661,126
Long-term liabilities	35,934,534	37,169,635
Total liabilities	53,948,642	54,830,761
Net Assets:		
Invested in capital, net of debt	6,900,176	6,430,998
Restricted	2,677,039	2,420,169
Unrestricted	11,853,127	6,899,362
Total net assets	\$ 21,430,342	15,750,529

A portion of the District's net assets (12.5%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

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

	2006	2005
Program revenues:		
Charges for services	\$ 576,786	652,430
Federal grants	784,759	656,884
State grants	787,055	838,115
General revenues:		
Property taxes	19,799,080	20,623,168
Income taxes	6,357,089	1,243,199
State entitlements	7,015,574	7,165,961
Investment income	524,100	211,183
Other	453,651	424,505
Total revenues	36,298,094	31,815,445
Program expenses:		
Instructional	16,432,588	15,526,271
Support services	9,925,205	9,100,652
Co-curricular student activities	963,135	985,832
Community services	762,212	781,295
Interest on long-term debt	1,370,687	1,738,531
Depreciation - unallocated	1,164,454	1,151,844
Total expenses	30,618,281	29,284,425
Increase in net assets	\$ 5,679,813	2,531,020

Governmental Activities

Net assets of the District's governmental activities increased by \$5,679,813 for the year ended June 30, 2006. 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 2006 cost of program services and the 2006 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	
	2006	2005	2006	2005
Instructional services	\$ 16,432,588	15,526,271	16,013,542	15,034,125
Support services	9,925,205	9,100,652	9,157,210	8,353,973
Co-curricular student activities	963,135	985,832	745,379	725,437
Community services	762,212	781,295	18,409	133,086
Interest on long-term debt	1,370,687	1,738,531	1,370,687	1,738,531
Depreciation - unallocated	1,164,454	1,151,844	1,164,454	1,151,844
Total	<u>\$ 30,618,281</u>	<u>29,284,425</u>	<u>28,469,681</u>	<u>27,136,996</u>

Local property and income taxes make up 72.1% of total revenues for governmental activities. The net services column reflecting the need for \$28,469,681 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 \$15,630,792, which represents an increase of \$5,270,861 as compared to last year's total of \$10,359,931 (on a consistent basis) according to the Governmental Funds Balance Sheet. The District contained expenditures in all funds within revenues generated in those funds for the fiscal year. The schedule below shows the fund balance and the total change in fund balance from June 30, 2005 to 2006.

	Fund Balance at June 30, 2006	Fund Balance at June 30, 2005	Increase (Decrease)
General fund	\$ 12,822,803	8,693,949	4,128,854
Bond retirement fund	2,009,040	1,945,436	63,604
Other governmental funds	798,949	(279,454)	1,078,403
Total	<u>\$ 15,630,792</u>	<u>10,359,931</u>	<u>5,270,861</u>

General Fund

The District's General Fund balance increased \$4,128,854 or 47.5%. The District continues to contain its expenditures within current year revenues. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

Revenues

	2006	2005	% Change
Property taxes	\$ 16,985,615	17,742,726	-4.27%
Income taxes	6,357,089	1,243,199	411.35%
Intergovernmental	6,650,705	6,794,101	-2.11%
Investment income	491,975	194,043	153.54%
Other revenue	121,285	208,283	-41.77%
Total	<u>\$ 30,606,669</u>	<u>26,182,352</u>	16.90%

In November 2004, the taxpayers in the District passed a .75% income tax operating levy. Upon passage of this new tax, the District rolled back the 3.5 mill property tax operating levy that was passed by the voters in November 2003. This 3.5 mill property tax levy was only collected for one year. Fiscal year 2006 represents the first full year of the income tax collection which was anticipated to generate approximately \$6.3 million per year.

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

Expenditures by Function

	2006	2005	% Change
Instructional services	\$ 15,729,317	14,805,023	6.24%
Support services	8,828,889	8,133,926	8.54%
Co-curricular student activities	669,684	668,135	0.23%
Community service	34,815	23,301	49.41%
Capital outlay	482,601	314,547	53.43%
Capital lease obligation	63,524	75,229	-15.56%
Total	<u>\$ 25,808,830</u>	<u>24,020,161</u>	7.45%

Expenditures are up 7.45% 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 \$4,128,854.

Bond Retirement Fund

The Bond Retirement Fund, a debt service fund, is funded primarily with property tax revenue and state property tax allocation at the level necessary to meet debt service requirements. The

\$63,604 increase in fund balance is due to an increased allocation of property taxes to meet future debt service payments.

Other Governmental Funds

Other governmental funds consist of Special Revenue, Debt Service and Capital Projects funds. Fund balance in these funds increased by \$1,078,403.

General Fund Budget Information

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

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

Revenue was estimated in the original budget at approximately \$18.5 million. This original estimate did not include an amount for June 2006 property tax revenue advances; actual property tax revenue advances in June 2006 were \$5.7 million. In addition the original budget included only \$1.9 million for income tax and \$4.2 million for state sources. The actual amounts were \$3.8 million and \$6.6 million, respectively. The revised budget for revenue was approximately \$27.9 million.

Capital Assets

The District has \$40,605,721 invested in governmental activity capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2006, the District had \$31,644,850 in outstanding principal on its general obligation bonds. The District paid \$1,560,000 in principal on bonds outstanding and \$1,247,784 in interest payments during the 2006 fiscal year. Principal and interest payments on The District's installment loan were \$63,043 and \$481, respectively, during the 2006 fiscal year.

The District issued new bonds in two separate refundings during 2006. On December 7, 2005, the District sold \$9,189,991 of general obligation bonds dated December 21, 2005 with final maturity on December 1, 2027. These bonds refunded \$9,190,000 of the District's School Facilities Construction and Improvement Bonds, Series 2001 dated February 20, 2001. The final maturity of the 2001 Bonds had been December 1, 2027. The refunding resulted in a premium of \$533,627 issuance costs of \$91,101 and underwriter's discount of \$65,933. The transaction resulted in an economic gain of \$549,043 (present value) and a reduction of \$833,995 in future debt service payments. The District sold \$9,354,998 of general obligation bonds dated March 9, 2006 with final maturity on December 1, 2022. These bonds refunded \$9,355,000 of the District's School Facilities Construction and Improvement Bonds, Series 2001 dated February 20, 2001. The final maturity of the 2001 Bonds refunded by the Series 2006

Bonds had been December 1, 2027. The refunding resulted in a premium of \$643,546 issuance costs of \$65,848 and underwriter's discount of \$55,386. The transaction resulted in an economic gain of \$429,062(present value) and a reduction of \$596,085 in future debt service payments.

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, 2006, the District's general obligation debt was below the legal limit.

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, 2006

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and investments	\$ 15,545,672
Receivables	18,762,787
Due from other- Governments	116,054
Inventory	7,397
Prepaid assets and deferred charges	341,353
Capital assets:	
Land	154,150
Other capital assets, net	40,451,571
TOTAL ASSETS	75,378,984
LIABILITIES:	
Accounts payable	524,952
Unearned revenue	14,040,211
Accrued liabilities	3,448,945
Long-term liabilities:	
Due within one year	2,050,000
Due in more than one year	33,884,534
TOTAL LIABILITIES	53,948,642
NET ASSETS	
Invested in capital assets, net of related debt	6,900,176
Restricted for:	
Capital Projects	485,831
Debt Service	2,013,572
Other purposes	177,636
Unrestricted	11,853,127
TOTAL NET ASSETS	\$ 21,430,342

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, 2006

		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	\$ 13,004,683	14,747	108,110	(12,881,826)
Special	3,125,097	-	296,189	(2,828,908)
Vocational	302,808	-	-	(302,808)
Support services:				
Operation and maintenance of plant	2,922,914	-	-	(2,922,914)
School administration	1,701,874	-	-	(1,701,874)
Pupils	1,293,045	-	223,503	(1,069,542)
Business operations	1,010,140	-	-	(1,010,140)
Instructional staff	1,757,571	-	76,433	(1,681,138)
Student transportation	570,708	-	65,346	(505,362)
Food service	452,239	344,283	51,101	(56,855)
Central services	178,354	-	7,329	(171,025)
General administration	38,360	-	-	(38,360)
Co-curricular student activities	963,135	217,756	-	(745,379)
Community services	762,212	-	743,803	(18,409)
Interest on long-term debt	1,370,687	-	-	(1,370,687)
Depreciation - unallocated*	1,164,454	-	-	(1,164,454)
Total Governmental Activities	30,618,281	576,786	1,571,814	(28,469,681)

General revenues:	
Property taxes	19,799,080
Income tax	6,357,089
Grants and entitlements not restricted to specific programs	7,015,574
Investment earnings	524,100
Miscellaneous	453,651
Total general revenues	34,149,494
Change in Net Assets	5,679,813
Net Assets Beginning of Year	15,750,529
Net Assets End of Year	\$ 21,430,342

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

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

Bexley City School District

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	GENERAL	BOND RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS:				
Cash and investments	\$ 12,420,882	2,015,817	1,108,973	15,545,672
Receivables:				
Property taxes	12,796,505	2,066,890	-	14,863,395
Income taxes	3,684,401	-	-	3,684,401
Other	107,580	-	107,411	214,991
Due from other:				
Governments	-	-	116,054	116,054
Interfund receivable	117,002	-	-	117,002
Inventory	-	-	7,397	7,397
Prepaid assets and deferred charges	18,663	-	-	18,663
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 29,145,033</u>	<u>4,082,707</u>	<u>1,339,835</u>	<u>34,567,575</u>
LIABILITIES:				
Accounts payable	\$ 408,924	14,874	101,154	524,952
Interfund payables	-	-	117,002	117,002
Unearned revenue	12,772,369	2,058,793	120,923	14,952,085
Accrued liabilities	3,140,937	-	201,807	3,342,744
TOTAL LIABILITIES	<u>16,322,230</u>	<u>2,073,667</u>	<u>540,886</u>	<u>18,936,783</u>
FUND BALANCES:				
Reserved for:				
Future appropriations	4,926,479	831,747	-	5,758,226
Encumbrances	451,296	-	252,909	704,205
Prepaid assets and inventory	18,663	-	7,397	26,060
Unreserved, reported in				
General fund	7,426,365	-	-	7,426,365
Special revenue fund	-	-	336,612	336,612
Debt Service fund	-	1,177,293	-	1,177,293
Capital projects fund	-	-	202,031	202,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>12,822,803</u>	<u>2,009,040</u>	<u>798,949</u>	<u>15,630,792</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,145,033</u>	<u>4,082,707</u>	<u>1,339,835</u>	<u>34,567,575</u>

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, 2006

Total Governmental Fund Balances \$ 15,630,792

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. 40,605,721

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

Deferred charges	322,690	
Unearned revenue	911,874	1,234,564

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		(106,201)
Compensated absences		(1,906,299)
Bonds Payable, net:		
Bonds payable principal amount	(31,644,850)	
Accumulated accretion on discount debt	(3,015,919)	
Unamortized deferred amount on refunding	906,126	
Unamortized bond discount	59,203	
Unamortized bond premium	(332,795)	
		(34,028,235)

Net Assets of Governmental Activities \$ 21,430,342

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, 2006

	GENERAL	BOND RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property taxes	\$ 16,985,615	2,800,921	-	19,786,536
Income tax	6,357,089	-	-	6,357,089
Intergovernmental:				
Federal Restricted Grants-in-aid	-	-	794,070	794,070
State:				
Unrestricted Grants-in-aid	6,635,519	380,055	-	7,015,574
Restricted Grants-in-aid	15,186	-	771,869	787,055
Investment income	491,975	-	32,125	524,100
Co-curricular activities	-	-	217,756	217,756
Charges for services	-	-	344,283	344,283
Tuition fees	14,747	-	-	14,747
Other	106,538	-	421,269	527,807
TOTAL REVENUES	30,606,669	3,180,976	2,581,372	36,369,017
EXPENDITURES:				
Current:				
Instructional services:				
Regular	12,642,902	-	123,494	12,766,396
Special	2,795,383	-	316,579	3,111,962
Vocational	291,032	-	-	291,032
TOTAL INSTRUCTIONAL SERVICES	15,729,317	-	440,073	16,169,390
Support services:				
Operation and maintenance of plant	2,894,021	-	-	2,894,021
School administration	1,701,043	-	356	1,701,399
Instructional staff	1,589,917	-	169,443	1,759,360
Pupils	1,080,084	-	225,284	1,305,368
Business operations	952,483	304,902	12,788	1,270,173
Student transportation	406,892	-	66,000	472,892
Food services	-	-	444,538	444,538
Central services	166,089	-	9,273	175,362
General administration	38,360	-	-	38,360
TOTAL SUPPORT SERVICES	8,828,889	304,902	927,682	10,061,473
Co-curricular student activities	669,684	-	222,373	892,057
Community services	34,815	-	721,795	756,610
Capital outlay	482,601	-	135,034	617,635
Debt service:				
Principal retirement	63,043	1,560,000	-	1,623,043
Interest	481	1,247,784	7,952	1,256,217
TOTAL EXPENDITURES	25,808,830	3,112,686	2,454,909	31,376,425
Excess (deficiency) of revenues over expenditures	4,797,839	68,290	126,463	4,992,592
OTHER FINANCING SOURCES (USES):				
Proceeds from refunding bonds	-	18,544,989	-	18,544,989
Premium on issuance of refunding bonds	-	1,177,174	-	1,177,174
Payment to refunded bond escrow agent	-	(19,443,894)	-	(19,443,894)
Transfers in	-	-	951,940	951,940
Transfers out	(668,985)	(282,955)	-	(951,940)
TOTAL OTHER FINANCING SOURCES (USES)	(668,985)	(4,686)	951,940	278,269
Net Change in Fund Balances	4,128,854	63,604	1,078,403	5,270,861
FUND BALANCES AT BEGINNING OF YEAR	8,693,949	1,945,436	(279,454)	10,359,931
FUND BALANCE AT END OF YEAR	\$ 12,822,803	2,009,040	798,949	15,630,792

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, 2006

Net Changes in Fund Balances - Total Governmental Funds **\$ 5,270,861**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (1,021,993)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (70,923)

The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net assets and does not result in revenue in the statement of activities. (18,544,989)

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.

Payment to escrow agent for refunding	18,544,993	
General obligation debt principal payments	1,560,000	
Capital lease payments	63,043	
		20,168,036

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.

Net (premium) discount on bonds	(1,177,174)	
Amortization of bond premium (discount)	216,100	
Accretion of capital appreciation bonds	(236,525)	
		(1,197,599)

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.

Bond issuance costs	278,269	
Amortization of bond issuance costs	(28,904)	
Deferred amount on refunding	898,905	
Amortization of deferred amount on refunding	(82,547)	
		1,065,723

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is recorded when due. 17,402

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. (6,705)

Change in Net Assets of Governmental Activities **\$ 5,679,813**

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

Bexley City School District
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and investments	\$ <u>129,829</u>
Total assets	\$ <u><u>129,829</u></u>
LIABILITIES	
Accounts Payable	\$ 764
Due to others	<u>129,065</u>
Total liabilities	\$ <u><u>129,829</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, 2006

1. Reporting Entity

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

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

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

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

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

The District reports the following *major* governmental funds:

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

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

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

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

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

Additionally, the District reports the following fund type:

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

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.

(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, 2006 are recorded as

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

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	10-40
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 members who resign after ten years of Bexley service may be paid one-fourth of accumulated sick leave up to a maximum of 25 days.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accrued liabilities account in the fund or funds from which the employees who have accumulated the leave are paid.

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

All accrued liabilities and long-term debt is reported in the government-wide financial statements. Compensated absences are recognized as fund liabilities to the extent payments come due each period upon occurrence of resignation and retirement. Long-term debts paid from governmental funds are not recognized as a liability in the fund financial statements until due.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

(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, 2006, but which were levied to finance fiscal year 2007 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 and capital maintenance, 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. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(n) *Management Estimates*

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

3. Cash and Investments

The investment and deposit of the District's monies is governed by the provisions of the ORC. In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; money market funds secured by United States obligations; and STAROhio. During fiscal year 2006, investments were limited to STAROhio, money market funds, CDs, and federal agency securities. Earnings on investments are credited to the General Fund except earnings specifically related to the Capital Projects Fund, Food Service Fund, and the Scholarship Fund in compliance with ORC Section 3315.01. In fiscal 2006 investment income of \$524,100 was recorded in the Governmental funds.

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, 2006.

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

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 2006, 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, 2006, the carrying amount of all District deposits was \$8,452,251. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2006, \$8,507,745 of the District's bank balance of \$8,707,745 was exposed to custodial risk as discussed above, while \$200,000 was covered by Federal Deposit Insurance Corporation.

As of June 30, 2006, 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	\$ 2,342,020	2,342,020	-	-	-
Money Market Mutual Fund	1,644,147	1,644,147	-	-	-
FNMA DN	1,275,387	-	979,361	296,026	-
FHLB	485,294	485,294	-	-	-
FHLMC	1,476,402	979,712	-	-	496,690
	<u>\$ 7,223,250</u>	<u>5,451,173</u>	<u>979,361</u>	<u>296,026</u>	<u>496,690</u>

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

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

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, 2006:

Investment type	Fair Value	% to total
STAROhio	\$ 2,342,020	32.42%
Money Market Mutual Fund	1,644,147	22.76%
FNMA DN	1,275,387	17.66%
FHLB	485,294	6.72%
FHLMC	1,476,402	20.44%
	<u>\$ 7,223,250</u>	<u>100.00%</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

4. Receivables and Accrued Liabilities

Receivables at June 30, 2006, consist of the following:

	Property Taxes	Income Taxes	Interest	Other	Totals
Governmental activities:					
General	\$ 12,796,505	3,684,401	101,880	5,700	16,588,486
Bond retirement fund	2,066,890	-	-	-	2,066,890
Other governmental funds	-	-	1,073	106,338	107,411
Total	<u>\$ 14,863,395</u>	<u>3,684,401</u>	<u>102,953</u>	<u>112,038</u>	<u>18,762,787</u>

Accrued Liabilities at June 30, 2006, consist of the following:

	Accrued Wages & Benefits	Compensated Absences	Totals
Governmental activities:			
General	\$ 2,861,937	278,998	3,140,935
Other governmental funds	201,807	-	201,807
Total	<u>\$ 3,063,744</u>	<u>278,998</u>	<u>3,342,742</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2006, follows:

	Balance June 30, 2005	Additions	Disposals	Balance June 30, 2006
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 154,150	-	-	154,150
Total capital assets, not being depreciated	<u>154,150</u>	-	-	<u>154,150</u>
Capital assets, being depreciated:				
Building and improvements	50,292,313	241,574	-	50,533,887
Furniture, fixtures and equipment	5,543,333	121,231	-	5,664,564
Buses, autos and trucks	494,928	127,600	-	622,528
Total capital assets, being depreciated	<u>56,330,574</u>	<u>490,405</u>	-	<u>56,820,979</u>
Less accumulated depreciation for:				
Building and improvements	10,071,436	1,208,945	-	11,280,381
Furniture, fixtures and equipment	4,450,492	262,977	-	4,713,469
Buses, autos and trucks	335,082	40,476	-	375,558
Total accumulated depreciation	<u>14,857,010</u>	<u>1,512,398</u>	-	<u>16,369,408</u>
Total capital assets, being depreciated, net	<u>41,473,564</u>	<u>(1,021,993)</u>	-	<u>40,451,571</u>
Capital assets, net	<u>\$ 41,627,714</u>	<u>(1,021,993)</u>	-	<u>40,605,721</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$ 200,358
Special	249
Support services:	
Operation and maintenance of plant	23,400
School administration	2,604
Pupils	2,246
Business operations	14,629
Instructional staff	3,728
Student transportation	30,383
Food services	7,116
Central services	2,992
Co-curricular student activities	57,954
Community services	2,285
Unallocated	1,164,454
Total depreciation	<u>\$ 1,512,398</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

6. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2006, follows:

	Balance June 30, 2005	Additions	Payments/ Reductions	Balance June 30, 2006	Due in One Year
Compensated absences (accrued vacation and sick leave)	\$ 1,899,594	179,217	172,512	1,906,299	200,000
Installment purchase obligation payable	63,043	-	63,043	-	-
General obligation bonds payable	<u>32,705,597</u>	<u>18,544,989</u>	<u>19,605,736</u>	<u>31,644,850</u>	<u>1,435,550</u>
	<u>\$ 34,668,234</u>	<u>18,724,206</u>	<u>19,841,291</u>	<u>33,551,149</u>	<u>1,635,550</u>

Principal retirements reported on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances includes the payment of \$499,257 in accreted interest on discount debt which was paid in fiscal year 2006. The general obligation bonds are a direct obligation of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

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

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

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

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

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

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, 2006:

Long-term Liabilities (summarized above)	\$ 33,551,149
Accumulated Accretion on Discount Debt	3,015,919
Unamortized Deferred Amount on Refunding	(906,126)
Unamortized Bond Discount	(59,203)
Unamortized Bond Premium	332,795
Total	\$ 35,934,534

Governmental Activities

Long-term Liabilities:	
Due within one year	\$ 2,050,000 ¹
Due in more than one year	33,884,534
Total Long-term Liabilities - <i>governmental activities</i>	\$ 35,934,534

¹ Amount includes \$414,450 of accumulated accretion on capital appreciation bonds due to be paid in 2007.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

The annual maturities of the general obligation bonds as of June 30, 2006, and related interest payments are as follows:

Year ending June 30,	Interest rate (%)	Principal	Interest
2007	2.00 - 7.125	\$ 1,435,550	\$ 1,661,122
2008	2.00 - 7.125	1,367,878	1,608,563
2009	2.30 - 7.125	921,436	2,058,990
2010	3.17 - 7.125	1,009,993	1,983,561
2011	3.00 - 7.125	1,900,000	1,069,565
2012 - 2016	3.20 - 7.125	8,440,000	4,827,548
2017 - 2021	3.80 - 5.00	5,744,993	3,888,665
2022 - 2026	4.00 - 4.20	7,390,000	1,247,628
2027 - 2028	4.25 - 4.30	3,435,000	148,898
Total		\$ 31,644,850	\$ 18,494,540

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, 2006 the District's total net debt was approximately 7.05% (8.36% at June 30, 2005) of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County and the City of Bexley. These debt limitation calculations exclude \$3,015,919 in accretion of deep discount debt in accordance with State Law. As of June 30, 2006, 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, 2006 was as follows:

	Principal			Principal
	Outstanding at June 30, 2005	Additions	Payments	Outstanding at June 30, 2006
Construction and Improvement Notes	\$ 275,003	-	275,003	-

On April 12, 2005, the District issued short term bond anticipation notes in the amount of \$275,003 to partially replace short term bond anticipation notes which matured on April 12, 2005. The original notes issued on April 13, 2004, for the purpose of constructing additions and renovating and improving existing school buildings. These notes, issued on April 12, 2005 had an interest rate of 2.9% and matured on April 11, 2006.

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 2004, 2005 and 2006 were \$71,062, \$73,121, and \$63,043, 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, 2006, 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 2005, 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, 2006, 2005, and 2004, were approximately \$1,877,136, \$1,870,00, and \$1,770,000, 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

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, 2006, 2005, and 2004, were approximately \$425,000, \$409,700; and \$362,000; 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, 2006, 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 School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$134,000 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the District paid \$96,070 to fund health care benefits, including the surcharge.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

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 20, 2006 and June 20, 2006, for those taxes due during 2006.

Real property taxes collected during calendar year 2006 had a lien and levy date of January 1, 2005. Tangible personal property taxes collected during calendar year 2006 had a lien and levy date of January 1, 2006.

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% in the 2005 tax year and 18.75% in the 2006 tax year for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in 2005 for collection in tax year 2006. 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 2006, upon which the 2005 levies were based, were as follows:

Real Estate	\$	443,597,120
Public Utility		3,727,030
Tangible Property		1,399,457
Total	\$	<u>448,723,607</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 108.45 mills in 2006.

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 \$77.5 million and personal liability insurance in the amount of \$1 million per occurrence and \$6 million in the aggregate. There was no reduction in coverage and no claims exceeded insurance coverage for the past three years. The District is registered and insured through the Ohio Bureau of Workers' Compensation for injuries to employees.

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

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

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

for the same purposes in future years. State law has set the amount for the set-aside at the number of students times 3% of the average cost per pupil.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition reserves. The set-aside cash balance for the textbook reserve has been restated based on the District having qualified disbursements which exceed the prior year set-aside requirement at June 30, 2005 and this amount may be carried forward to future fiscal years. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance Reserve
Set-aside balance, July 1, 2005	\$ (168,620)	-
Current year set-aside requirement	326,370	326,370
Qualifying expenditures	(539,200)	(891,561)
Total	\$ (381,450)	(565,191)
Set-aside balance, June 30, 2006	\$ (381,450)	-

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. Interfund Activity

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables on the fund basis:

	Receivable	Payable
Interfund Receivables/Payables		
General Fund	\$ 117,002	-
Other Governmental Funds	-	117,002
Total governmental activities	\$ 117,002	117,002

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2006

For the year ended June 30, 2006, transfers consisted of the following:

	Total Transfers Out	Transfers In	
		Bond Retirement Fund	Other Governmental Funds
<i>General Fund:</i>			
Nonreciprocal interfund transfer to fund food service operations	\$ 85,000	-	85,000
Nonreciprocal interfund transfer to fund Building Fund activities	308,969		308,969
Nonreciprocal interfund transfer to fund Permanent Improvements	234,016	-	234,016
Nonreciprocal interfund transfer to fund District managed student activities	41,000	-	41,000
Total General Fund	668,985	-	668,985
<i>Bond Retirement Fund -</i>			
Nonreciprocal interfund transfer to fund short term note payment	282,955	-	282,955
Total Bond Retirement Fund	282,955	-	282,955
Total Governmental Activities	\$ 951,940	-	951,940

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

REQUIRED SUPPLEMENTARY INFORMATION

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Bexley City School District
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	
REVENUES:				
Property taxes	\$ 11,985,757	16,973,939	16,973,939	-
Income tax	1,969,844	3,780,191	3,780,191	-
Investment income	220,000	363,921	388,111	24,190
Tuition fees	40,000	40,800	40,740	(60)
Miscellaneous	55,000	97,222	96,990	(232)
State sources	4,200,000	6,650,690	6,650,706	16
TOTAL REVENUES	<u>18,470,601</u>	<u>27,906,763</u>	<u>27,930,677</u>	<u>23,914</u>
EXPENDITURES:				
Instructional services:				
Regular	12,978,844	12,850,364	12,759,945	90,419
Special	2,579,569	2,822,707	2,789,695	33,012
Vocational	252,200	292,909	292,466	443
TOTAL INSTRUCTIONAL SERVICES	<u>15,810,613</u>	<u>15,965,980</u>	<u>15,842,106</u>	<u>123,874</u>
Support services:				
Operation and maintenance of plant	2,966,720	2,980,420	3,115,971	(135,551)
School administration	1,696,913	1,684,958	1,683,237	1,721
Instructional staff	1,554,053	1,630,166	1,624,410	5,756
Pupils	1,096,226	1,055,698	1,049,934	5,764
Business operations	1,006,730	982,207	959,196	23,011
Student transportation	394,050	397,852	419,120	(21,268)
Central services	207,790	179,985	170,668	9,317
General administration	52,600	48,000	37,579	10,421
TOTAL SUPPORT SERVICES	<u>8,975,082</u>	<u>8,959,286</u>	<u>9,060,115</u>	<u>(100,829)</u>
Facilities acquisition and construction	511,050	542,830	760,606	(217,776)
Extracurricular activities	742,640	744,289	731,134	13,155
TOTAL EXPENDITURES	<u>26,039,385</u>	<u>26,212,385</u>	<u>26,393,961</u>	<u>(181,576)</u>
Excess (deficiency) of revenues over expenditures	<u>(7,568,784)</u>	<u>1,694,378</u>	<u>1,536,716</u>	<u>(157,662)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(492,306)	(693,985)	(693,985)	-
Advances in	1,083,460	1,083,460	1,083,460	-
Advances out	(127,002)	(127,002)	(127,002)	-
Refund of prior year expenditures (receipts)	31,000	26,876	27,152	276
TOTAL OTHER FINANCING SOURCES (USES)	<u>495,152</u>	<u>289,349</u>	<u>289,625</u>	<u>276</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(7,073,632)</u>	<u>1,983,727</u>	<u>1,826,341</u>	<u>(157,386)</u>
Prior year encumbrances appropriated	628,435	628,435	628,435	-
FUND BALANCES AT BEGINNING OF YEAR	<u>9,086,247</u>	<u>9,086,247</u>	<u>9,086,247</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,641,050</u>	<u>11,698,409</u>	<u>11,541,023</u>	<u>(157,386)</u>

See notes to required supplementary information.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2006

A. Budgetary Information

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

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

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

(3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Board adopted its 2006 appropriation measure in September 2005. The Board of Education adopted a temporary appropriation measure in June 2005 to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Supplemental appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level. At year-end appropriations did not exceed estimated resources and expenditures did not exceed appropriations in any fund at the object level. Appropriations for advances-in/advances-out by law are not required and are not budgeted.

B. Reconciling Budgetary Basis and GAAP

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

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

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information, Continued
June 30, 2006

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)	\$ 4,128,854
Adjustments, net	
Revenue Accruals	(2,676,788)
Expenditure Accruals	1,234,495
Encumbrances	(860,220)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	<u><u>\$ 1,826,341</u></u>

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bexley City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 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 over financial reporting 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.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the District in a separate letter dated December 28, 2006.

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

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
December 28, 2006

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

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

Compliance

We have audited the compliance of the Bexley City School District, Franklin County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are 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 programs 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 each of its major federal programs for the year ended June 30, 2006.

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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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 the internal control over compliance and its operation that we consider to be material weaknesses.

Board of Education
Bexley City School District
Report on Compliance with Requirements Applicable to Each Major Federal Program and
Internal Control Over Compliance in Accordance with OMB Circular A-133
Page 2

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

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
December 28, 2006

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

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2006

<u>Federal grantor/Pass through grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass through number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Pass-through State Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550		\$ -	\$ 20,306	\$ -	\$ 20,757
National School Lunch Program	10.555	043620 LLP4	48,954	-	48,954	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>48,954</u>	<u>20,306</u>	<u>48,954</u>	<u>20,757</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Pass-through Ohio Department of Education:</i>						
Special Education--Grants to States--Title VI-B	84.027	043620 6BSF	495,778	-	542,453	-
Title I Grants to Local Education Agencies	84.010	043620 C1S1	63,723	-	63,723	-
Safe and Drug Free Schools -- State Grant	84.186	043620 DRS1	10,079	-	7,860	-
Innovative Education Program Strategy	84.298	043620 C2S1	6,887	-	9,724	-
Title II-D -- Technology Fund	84.318	043620 TJS1	1,005	-	629	-
Title II-A -- Improving Teacher Quality	84.367	043620 TRS1	54,271	-	52,476	-
Hurricane Education Recovery	84.938	043620 HR01	23,500	-	23,500	-
Total U.S. Department of Education			<u>655,243</u>	<u>-</u>	<u>700,365</u>	<u>-</u>
Total Receipts and Expenditures of Federal Awards			<u>\$ 704,197</u>	<u>\$ 20,306</u>	<u>\$ 749,319</u>	<u>\$ 20,757</u>

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

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) General

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

(2) Basis of Accounting

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

(3) Noncash Programs

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

(4) Revenue

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

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

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

JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

BEXLEY CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2007**