

BEXLEY CITY SCHOOL DISTRICT

General Purpose Financial Statements

June 30, 2001

(With Independent Auditors' Report Thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Bexley City School District
Bexley, Ohio

We have reviewed the independent auditor's report of the Bexley City School District, Franklin County, prepared by KPMG LLP, for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

February 12, 2002

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BEXLEY CITY SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS

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Independent Auditors' Report

Board of Education
Bexley City School District
Bexley, Ohio

We have audited the accompanying general purpose financial statements of Bexley City School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary funds 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 November 30, 2001 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

November 30, 2001

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**Bexley City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Cash and investments	\$5,832,140	\$426,659	\$1,351,961	\$27,125,576
Restricted cash and investments	105,906	0	0	0
Receivable:				
Property taxes	18,334,000	0	3,109,000	0
Other	18,181	837	0	252,515
Due from governments	0	51,629	0	0
Inventory	21,749	0	0	0
Prepaid Assets	21,451	0	0	0
Property and plant and equipment	0	0	0	0
Amount available in debt service fund	0	0	0	0
Amount to be provided for retirement general long term debt	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	<u>24,333,427</u>	<u>479,125</u>	<u>4,460,961</u>	<u>27,378,091</u>
LIABILITIES:				
Accounts Payable	262,452	8,591	14,677	102,466
Due to other	0	0	0	0
Deferred revenue	13,661,912	89,649	2,314,000	0
Accrued liabilities	2,526,961	85,630	0	0
Obligations under capital lease	0	0	0	0
General obligations bonds payable	0	0	0	0
Total Liabilities	<u>16,451,325</u>	<u>183,870</u>	<u>2,328,677</u>	<u>102,466</u>
FUND EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Accumulated deficit	0	0	0	0
Fund balance:				
Reserved for future year's appropriations	7,067,009	0	1,217,240	0
Reserved for encumbrances	298,452	67,694	0	2,661,790
Reserved for inventory and prepaid asset	43,200	0	0	0
Reserved for budgetary stabilization	105,906	0	0	0
Unreserved	367,535	227,561	915,044	24,613,835
TOTAL FUND EQUITY AND OTHER CREDITS	<u>7,882,102</u>	<u>295,255</u>	<u>2,132,284</u>	<u>27,275,625</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$24,333,427</u>	<u>\$479,125</u>	<u>\$4,460,961</u>	<u>\$27,378,091</u>

See accompanying notes to the general purpose financial statements

Bexley City School District

EXHIBIT I

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals Memorandum Only
		General Fixed Assets	General Long Term Obligation	
<u>Enterprise</u>	<u>Expendable Trust and Agency</u>			<u>2001</u>
\$30,989	\$429,664	\$0	\$0	\$35,196,989
0	0	0	0	105,906
0	0	0	0	21,443,000
1,820	0	0	0	273,353
0	0	0	0	51,629
4,453	0	0	0	26,202
0	0	0	0	21,451
32,120	0	23,344,491	0	23,376,611
0	0	0	2,132,284	2,132,284
0	0	0	36,665,207	36,665,207
<u>69,382</u>	<u>429,664</u>	<u>23,344,491</u>	<u>38,797,491</u>	<u>119,292,632</u>
0	0	0	0	388,186
0	385,304	0	0	385,304
1,792	0	0	0	16,067,353
48,690	596	0	1,784,976	4,446,853
0	0	0	23,180	23,180
0	0	0	36,989,335	36,989,335
50,482	385,900	0	38,797,491	58,300,211
0	0	23,344,491	0	23,344,491
181,637	0	0	0	181,637
(162,737)	0	0	0	(162,737)
0	0	0	0	8,284,249
0	250	0	0	3,028,186
0	0	0	0	43,200
0	0	0	0	105,906
0	43,514	0	0	26,167,489
<u>18,900</u>	<u>43,764</u>	<u>23,344,491</u>	<u>0</u>	<u>60,992,421</u>
<u>\$69,382</u>	<u>\$429,664</u>	<u>\$23,344,491</u>	<u>\$38,797,491</u>	<u>\$119,292,632</u>

Bexley City School District
Combined Statement of Revenues, Expenditures and Change in Fund Balance
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Type			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES:				
Property Taxes	\$17,834,374	\$0	\$2,906,954	\$0
Intergovernmental				
Federal Restricted Grants - in - Aid	0	328,363	0	0
State:				
Unrestricted Grants - in - Aid	5,820,116	0	269,416	0
Restricted Grants - in - Aid	0	609,230	0	78,971
Investment Income	332,585	8,905	0	776,888
Co-Curricular Activities	0	262,064	0	0
Tuition and Fees	66,405	241	0	0
Gifts & Donations	0	40,000	0	0
Other	81,695	16,980	6,085	79,278
Total Revenues	24,135,175	1,265,783	3,182,455	935,137
EXPENDITURES:				
Current:				
Instruction Services:				
Regular	10,859,850	86,850	0	62,971
Special	2,004,281	80,472	0	0
Vocational	237,624	0	0	0
Total Instructional Services	13,101,755	167,322	0	62,971
Support Services:				
Operation and maintenance of plant	1,864,075	1,436	0	0
School administration	1,293,170	0	0	15,188
Instructional staff	1,134,517	247,532	0	0
Pupils	937,413	79,711	0	0
Business operations	818,692	0	35,467	2,500
Student transportation	211,252	0	0	0
Central services	83,070	1,525	0	0
General administration	61,935	0	0	0
Total Support Services	6,404,124	330,204	35,467	17,688
Extracurricular activities	466,989	158,666	0	0
Community services	0	564,800	0	0
Capital outlay	164,371	0	0	728,500
Debt service:				
Principal retirement	21,933	0	705,000	0
Interest and fiscal charges	2,568	0	1,095,983	0
Total Expenditures	20,161,740	1,220,992	1,836,450	809,159
Excess (deficiency) of revenues over expenditures	3,973,435	44,791	1,346,005	125,978
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment	2,126	0	0	0
Transfer in	0	25,000	0	0
Transfers out	(75,000)	0	0	0
Proceeds from issuance of bonds	0	0	0	27,050,000
Total Other Financing Sources (Uses)	(72,874)	25,000	0	27,050,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	3,900,561	69,791	1,346,005	27,175,978
Fund balances at beginning of year, as restated	3,981,541	225,464	786,279	99,647
Fund balances at end of year	\$7,882,102	\$295,255	\$2,132,284	\$27,275,625

See accompanying notes to the general purpose financial statements

EXHIBIT II

Fiduciary Fund Type	Total (Memorandum Only)
Expendable Trust	2001
\$0	20,741,328
0	328,363
0	6,089,532
0	688,201
3,198	1,121,576
0	262,064
0	66,646
0	40,000
12,370	196,408
15,568	29,534,118
0	11,009,671
14,234	2,098,987
0	237,624
14,234	13,346,282
0	1,865,511
0	1,308,358
0	1,382,049
0	1,017,124
4,050	860,709
0	211,252
0	84,595
0	61,935
4,050	6,791,533
1,800	627,455
0	564,800
0	892,871
0	726,933
0	1,098,551
20,084	24,048,425
(4,516)	5,485,693
0	2,126
0	25,000
0	(75,000)
0	27,050,000
0	27,002,126
(4,516)	32,487,819
48,280	5,141,211
\$43,764	\$37,629,030

Bexley City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Budget Basis)-All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	----- General Fund -----		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE:			
Property Taxes	16,070,656	16,070,656	0
Investment Income	372,000	357,863	(14,137)
Tuition Fees	72,500	65,530	(6,970)
Extracurricular	0	0	0
Fees	3,285	2,012	(1,273)
Miscellaneous	93,967	39,858	(54,109)
State Sources	5,822,037	5,822,766	729
Federal Sources	0	0	0
Total Revenues	<u>22,434,445</u>	<u>22,358,685</u>	<u>(75,760)</u>
EXPENDITURES:			
Instruction Services:			
Regular	10,971,552	10,789,424	182,128
Special	2,117,762	1,978,220	139,542
Vocational	274,416	260,912	13,504
Total Instruction	<u>13,363,730</u>	<u>13,028,556</u>	<u>335,174</u>
Support Services:			
Operation and maintenance of plant	1,983,047	1,956,288	26,759
Executive and school administration	1,267,244	1,221,206	46,038
Instructional staff	1,279,151	1,170,790	108,361
Pupils	973,305	958,164	15,141
Business operations	831,811	814,795	17,016
Student transportation	311,484	293,017	18,467
Central services	115,335	102,795	12,540
General administrations	74,668	74,315	353
Total Support Services	<u>6,836,045</u>	<u>6,591,370</u>	<u>244,675</u>
Facilities acquisition and construction services	279,879	275,780	4,099
Extracurricular Activities	509,010	467,407	41,603
Community services	0	0	0
Repayment of debt	0	0	0
Total Expenditures	<u>20,988,664</u>	<u>20,363,113</u>	<u>625,551</u>
Excess of Revenues Over (Under) Expenditures	1,445,781	1,995,572	549,791
OTHER FINANCING SOURCES (USES):			
Sale of Bonds and Notes	0	0	0
Premium and Accrued Interest	0	0	0
Proceeds from Sale of Fixed Assets	3,010	2,126	(884)
Refund of Prior Year Expenditures	64,000	61,584	(2,416)
Refund of Prior Year Receipts	(1,000)	(195)	805
Advance in	126,511	126,511	0
Advance out	(36,500)	(36,500)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(75,800)	(75,800)	0
Total Other Financing Sources (Uses)	80,221	77,726	(2,495)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,526,002	2,073,298	547,296
Prior year Encumbrances Appropriated	580,409	580,409	0
FUND BALANCES AT BEGINNING OF YEAR	2,699,978	2,699,978	0
FUND BALANCES AT END OF YEAR	<u>4,806,389</u>	<u>5,353,685</u>	<u>547,296</u>

See accompanying notes to the general purpose financial statements.

EXHIBIT III

----- Special Revenue Funds -----			----- Debt Service Fund -----		
Revised Budget	Actual	Favorable (Unfavorable)	Revised Budget	Actual	Favorable (Unfavorable)
0	0	0	2,366,040	2,366,672	632
32,583	32,558	(25)	0	0	0
0	0	0	0	0	0
263,370	262,063	(1,307)	0	0	0
0	0	0	0	0	0
175,057	176,438	1,381	0	0	0
607,038	608,843	1,805	276,979	269,416	(7,563)
310,222	310,222	0	0	0	0
<u>1,388,270</u>	<u>1,390,124</u>	<u>1,854</u>	<u>2,643,019</u>	<u>2,636,088</u>	<u>(6,931)</u>
113,589	77,322	36,267	0	0	0
97,479	94,697	2,782	0	0	0
0	0	0	0	0	0
<u>211,068</u>	<u>172,019</u>	<u>39,049</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,436	1,436	0	0	0	0
0	0	0	0	0	0
304,641	255,391	49,250	0	0	0
76,278	74,960	1,318	0	0	0
2,918	2,918	0	27,820	27,126	694
0	0	0	0	0	0
9,525	1,600	7,925	0	0	0
0	0	0	0	0	0
<u>394,798</u>	<u>336,305</u>	<u>58,493</u>	<u>27,820</u>	<u>27,126</u>	<u>694</u>
0	0	0	0	0	0
164,641	160,956	3,685	0	0	0
713,336	651,411	61,925	0	0	0
0	0	0	11,800,986	11,800,983	3
<u>1,483,843</u>	<u>1,320,691</u>	<u>163,152</u>	<u>11,828,806</u>	<u>11,828,109</u>	<u>697</u>
(95,573)	69,433	165,006	(9,185,787)	(9,192,021)	(6,234)
0	0	0	10,000,000	10,000,000	0
0	0	0	7,085	6,084	(1,001)
0	0	0	0	0	0
0	96	96	0	0	0
(200,807)	(92,413)	108,394	0	0	0
36,500	36,500	0	0	0	0
(46,511)	(46,511)	0	0	0	0
43,165	43,165	0	0	0	0
<u>(148,820)</u>	<u>(18,165)</u>	<u>130,655</u>	<u>0</u>	<u>0</u>	<u>0</u>
(316,473)	(77,328)	239,145	10,007,085	10,006,084	(1,001)
(412,046)	(7,895)	404,151	821,298	814,063	(7,235)
70,508	70,508	0	0	0	0
576,720	576,720	0	537,899	537,899	0
<u>235,182</u>	<u>639,333</u>	<u>404,151</u>	<u>1,359,197</u>	<u>1,351,962</u>	<u>(7,235)</u>

Bexley City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Budget Basis)-All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001 - Continued

	----- Capital Projects Funds -----		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE:			
Property Taxes	0	0	0
Investment Income	484,100	486,143	2,043
Tuition Fees	0	0	0
Extracurricular Fees	0	0	0
Miscellaneous	79,200	79,278	78
State Sources	78,971	78,971	0
Federal Sources	0	0	0
Total Revenues	<u>642,271</u>	<u>644,392</u>	<u>2,121</u>
EXPENDITURES:			
Instruction Services:			
Regular	62,970	62,970	0
Special	0	0	0
Vocational	0	0	0
Total Instruction	<u>62,970</u>	<u>62,970</u>	<u>0</u>
Support Services:			
Operation and maintenance of plant	0	0	0
Executive and school administration	23,162	15,847	7,315
Instructional staff	0	0	0
Pupils	0	0	0
Business operations	7,500	2,500	5,000
Student transportation	49,360	49,360	0
Central services	0	0	0
General administrations	0	0	0
Total Support Services	<u>80,022</u>	<u>67,707</u>	<u>12,315</u>
Facilities acquisition and construction services	3,673,473	3,348,082	325,391
Extracurricular Activities	0	0	0
Community services	0	0	0
Repayment of debt	0	0	0
Total Expenditures	<u>3,816,465</u>	<u>3,478,759</u>	<u>337,706</u>
Excess of Revenues Over (Under) Expenditures	(3,174,194)	(2,834,367)	339,827
OTHER FINANCING SOURCES (USES):			
Sale of Bonds and Notes	27,050,000	27,050,000	0
Premium and Accrued Interest	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Advance in	0	0	0
Advance out	(80,000)	(80,000)	0
Operating Transfers In	41,700	85,363	43,663
Operating Transfers Out	(85,363)	(85,363)	0
Total Other Financing Sources (Uses)	<u>26,926,337</u>	<u>26,970,000</u>	<u>43,663</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	23,752,143	24,135,633	383,490
Prior year Encumbrances Appropriated	667	667	0
FUND BALANCES AT BEGINNING OF YEAR	172,455	172,455	0
FUND BALANCES AT END OF YEAR	<u>23,925,265</u>	<u>24,308,755</u>	<u>383,490</u>

See accompanying notes to the general purpose financial statements.

EXHIBIT III

Totals		
----- (Memorandum Only) -----		
Revised Budget	Actual	Favorable (Unfavorable)
18,436,696	18,437,328	632
888,683	876,564	(12,119)
72,500	65,530	(6,970)
263,370	262,063	(1,307)
3,285	2,012	(1,273)
348,224	295,574	(52,650)
6,785,025	6,779,996	(5,029)
310,222	310,222	0
<u>27,108,005</u>	<u>27,029,289</u>	<u>(78,716)</u>
11,148,111	10,929,716	218,395
2,215,241	2,072,917	142,324
274,416	260,912	13,504
<u>13,637,768</u>	<u>13,263,545</u>	<u>374,223</u>
1,984,483	1,957,724	26,759
1,290,406	1,237,053	53,353
1,583,792	1,426,181	157,611
1,049,583	1,033,124	16,459
870,049	847,339	22,710
360,844	342,377	18,467
124,860	104,395	20,465
74,668	74,315	353
<u>7,338,685</u>	<u>7,022,508</u>	<u>316,177</u>
3,953,352	3,623,862	329,490
673,651	628,363	45,288
713,336	651,411	61,925
11,800,986	11,800,983	3
<u>38,117,778</u>	<u>36,990,672</u>	<u>1,127,106</u>
(11,009,773)	(9,961,383)	1,048,390
37,050,000	37,050,000	0
7,085	6,084	(1,001)
3,010	2,126	(884)
64,000	61,680	(2,320)
(201,807)	(92,608)	109,199
163,011	163,011	0
(163,011)	(163,011)	0
84,865	128,528	43,663
<u>(309,983)</u>	<u>(179,328)</u>	<u>130,655</u>
36,697,170	36,976,482	279,312
25,687,397	27,015,099	1,327,702
651,584	651,584	0
3,987,052	3,987,052	0
<u>30,326,033</u>	<u>31,653,735</u>	<u>1,327,702</u>

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Bexley City School District

**Statement of Revenues, Expenses and Changes
in Retained Deficit -- All Proprietary Fund Types**

For the Fiscal Year Ended June 30, 2001

EXHIBIT IV

ENTERPRISE FUND TOTAL

2001

OPERATING REVENUES

Food Service Sales	\$257,077
Personal services	3,263
TOTAL OPERATING REVENUES	<u>260,340</u>

OPERATING EXPENSES:

Personal services	163,336
Employee benefits	54,161
Purchased services	2,477
Supplies and materials	125,550
Depreciation	2,135
Other	1,196
TOTAL OPERATING EXPENSES	<u>348,855</u>

OPERATING LOSS (88,515)

NON- OPERATING REVENUES:

Interest	1,535
State sources	1,369
Federal sources - restricted grants - in - aid	44,291
TOTAL NON- OPERATING REVENUES	<u>47,195</u>

LOSS BEFORE OPERATING TRANSFER (41,320)

Operating transfer in 50,000

NET INCOME 8,680

BEGINNING ACCUMULATED DEFICIT (171,417)

ENDING ACCUMULATED DEFICIT (\$162,737)

See accompanying notes to the general purpose financial statements.

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Bexley City School District

Statement of Cash Flows

All Proprietary Fund Types

For the Fiscal Year Ended June 30, 2001

EXHIBIT V
PROPRIETARY
FUND TYPE
ENTERPRISE
FUND

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss (88,515)

ADJUSTMENTS TO RECONCILE OPERATING

**LOSS TO NET CASH PROVIDED BY
(USED IN) OPERATING ACTIVITIES:**

Depreciation 2,135
Increase in receivable (828)
Increase in inventory (784)
Decrease in accounts payable (1,391)
Increase in deferred revenue 1,247
Decrease in accrued liabilities (7,015)

NET ADJUSTMENTS

(6,636)

Net cash used in operating activities

(95,151)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State sources 1,369
Federal sources 48,787
Operating transfers 50,000

NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES

100,156

CASH FLOWS FROM INVESTING ACTIVITIES

Interest 1,535

INCREASE IN CASH AND CASH EQUIVALENTS

6,540

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

24,449

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$30,989

See accompanying notes to the general purpose financial statements.

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BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements

June 30, 2001

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

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

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

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

Education support services are provided by the Bexley Education Foundation (the Foundation). The Foundation has a separate nineteen member Board of Governor's. The Board is not appointed by the Bexley Board of Education. The Foundation is a separate entity from the District with no financial interdependency. The Foundation makes cash donations to the District which are approved by the Board of Education. For the 2000-2001 fiscal year, expenses and donations by the Foundation for the Bexley Schools of \$40,000 are accounted for in Special Revenue Fund 029, the Education Foundation, which is a part of these financial statements. In addition, the District held \$288,958 in excess Foundation money as of June 30, 2001. These funds are accounted for in the agency fund in this financial statement. All other monies of the Bexley Education Foundation are held by the Bexley Foundation at Fifth Third Bank and the Columbus Foundation in the name of the Bexley Education Foundation. The money is invested by the Columbus Foundation. Accordingly, the District has no oversight responsibilities. The Foundation's separate financial statements are not included herein. In addition, the District has no ability to significantly influence operations and no accountability over the fiscal matters of the Foundation.

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

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

(2) Summary of Significant Accounting Policies

The accounting policies of the Bexley City School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

(a) Basis of Presentation-Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the District.

GOVERNMENTAL FUNDS

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

Special Revenue Funds--Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts or major capital projects requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund--The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal, interest and related costs on long-term general obligation debt.

Capital Projects Funds--Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUND

Enterprise Fund--The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis is financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust Funds--Trust Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable trust funds are accounted for and reported as governmental funds.

Agency Funds--Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

ACCOUNT GROUPS

General Fixed Assets Account Group--This account group is established to account for fixed assets of the District other than those accounted for in proprietary or non-expendable trust funds.

General Long-Term Obligation Account Group--This account group is established to account for all unmatured long-term indebtedness of the District.

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

(b) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is followed by governmental funds, agency funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Measurable means the amount can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenue. Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the non-current portion of accrued vacation and sick leave, which is recorded in the general long-term obligation account group.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon when the expenditures are incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied, provided they are collected by the County Treasurer by June 30. Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned.

The accrual basis of accounting is utilized by the proprietary funds. Revenues are recorded when earned and expenses are recorded when incurred.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The preparation of the general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

(c) Budgetary Data

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

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

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

(3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Board adopted its 2001 appropriation measure at a regular meeting on September 27, 2000. The Board of Education adopted a temporary appropriation measure at the June 12, 2000 special meeting to allow the District to operate until its annual appropriations are adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Supplemental appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level. Appropriations did not exceed estimated resources and expenditures did not exceed appropriations in any fund at the object level. Appropriations for advances-in/advances-out by law are not required and are not budgeted.

(4) The District prepares its budget on a basis of accounting that differs from GAAP. The actual results of operations are presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types 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); and
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis).
- D. Investments recorded at fair value for GAAP purposes and cost for budget purposes.

(d) Encumbrances

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

(e) Investments

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

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

- (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) Prepays
Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.
- (h) Property, Plant, and Equipment--Governmental Funds
Property, plant, and equipment purchased for general governmental purposes are recorded as expenditures in the governmental funds and capitalized at cost (or estimated historical cost for assets for which cost is not available) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their estimated fair market value at the date received.

No depreciation is provided on general fixed assets.
- (i) Property, Plant, and Equipment--Proprietary Funds
Property, plant, and equipment used by proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. Depreciation is provided using the straight-line method over estimated useful lives ranging from 25 to 50 years for buildings, 10 to 20 years for improvements other than buildings, and 3 to 10 years for equipment.
- (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. For all staff an employee may be paid one-fourth of the accumulated sick leave up to a maximum of 54 days upon retirement. All staff who resign after ten years of Bexley service may be paid one-fourth of accumulated sick leave up to a maximum of 25 days.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expenditure resources. These amounts are recorded in the account "accrued liabilities" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligation account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.
- (k) Interfund Transactions
Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.
- (l) Total Columns
Total Columns on the combined statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Such data is not comparable to a consolidation since interfund eliminations have not been made.
- (m) Statement of Cash Flows
For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments held by trustees, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments with the treasurer are also considered to be cash equivalents since they are available to the Proprietary Funds on demand.

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

- (n) Proprietary Funds
Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the District follows GASB guidance as applicable to proprietary funds, and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.
- (o) Restricted Assets
Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 13 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.
- (p) Fund Balance Reserves
The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid assets, budget stabilization, and for future years= appropriations. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.
- (q) New Accounting Pronouncements
For fiscal year 2001, the District implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Reporting for Certain Shared Nonexchange Revenues*. These statements requires the recognition of nonexchange transactions in the financial statements unless the transactions are not measurable (reasonably estimable) nor probable of collection. The adoption of these statements had no impact on the financial position and results of operations of the District.
- In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This statement represents a significant change in the way state and local governments present basic financial information. This statement is effective for periods beginning after June 15, 2002, and the District has not adopted the provisions of this statement in the accompanying financial statements. Management has not completed the process of evaluating the impact that will result from adopting this statement, and, therefore, is unable to disclose the impact that adopting the statement will have on its financial position and results of operations when such statement is adopted.

(3) Cash and Investments

- a) The District's bank deposits at June 30, 2001 were \$9,607,688 (including \$9,500,000 of non-negotiable CD=s) with a carrying balance of \$9,377,075. Of this balance, \$200,000 was covered by Federal depository insurance, \$150,000 was covered by an Ohio Depository Bond, and \$9,027,075 was uninsured and uncollateralized. The \$9,027,075 was covered by pooled collateral as provided in Ohio Revised Code Chapter 135. All deposits are in institutions who are members of the Federal Reserve System.
- b) The Ohio Revised Code authorizes the District to invest in United States and State of Ohio bonds, notes and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States; corporations; repurchase agreements secured by United States obligations; and State Treasury Asset Reserve of Ohio, which is managed by the Treasurer of the State of Ohio (STAR Ohio). It is management's policy to invest in all of the above type of investments. Earnings on investments are credited to various funds at the discretion of the Board.
- c) STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

- d) The District's investments are categorized to give an indication of the level of risk assumed by the District at June 30, 2001. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the Counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the Counter party or its trust department or agent, but not in the District's name. The investment with STAR Ohio is not required to be categorized due to its nature.

	Category			Carrying/Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments:				
Repurchase Agreements	\$		174,640	174,640
Federal Agencies Securities		<u>6,079,520</u>		<u>6,079,520</u>
Sub-Total	\$	6,079,520	174,640	6,254,160
Investment in State Treasurer's Investment Pool				<u>19,671,660</u>
Total investments				25,925,820
Cash deposits				9,607,688
Less: Reconciling items				<u>(230,613)</u>
Total Cash and Investments				<u>\$35,302,895</u>

(4) Receivables

Receivables at June 30, 2001, consist of the following:

	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
General	\$18,334,000	\$ 12,538	\$5,643	\$18,352,181
Special Revenue	0	0	837	837
Debt Service	3,109,000	0	0	3,109,000
Capital Projects	0	252,515	0	252,515
Enterprise	<u>0</u>	<u>0</u>	<u>1,820</u>	<u>1,820</u>
Total	<u>\$21,443,000</u>	<u>\$265,053</u>	<u>\$8,300</u>	<u>\$21,716,353</u>

(5) Due from Other Governments

Intergovernmental receivables at June 30, 2001, consist of the following:

	<u>Due From</u>		<u>Total</u>
	<u>Federal Government</u>	<u>State Government</u>	
Special Revenue	<u>\$ 51,629</u>	<u>0</u>	<u>51,629</u>

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

(6) Property, Plant and Equipment

A summary of changes in general fixed assets for the year ended June 30, 2001, follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2001</u>
Land	\$ 137,450	0	0	\$ 137,450
Buildings and improvements	16,165,637	0	0	16,165,637
Furniture and fixtures	5,701,265	263,663	(1,450)	5,963,478
Autos and trucks	358,248	0	0	358,248
Construction in progress	<u>0</u>	<u>719,678</u>	<u>0</u>	<u>719,678</u>
Total	<u>\$22,362,600</u>	<u>983,341</u>	<u>(1,450)</u>	<u>\$23,344,491</u>

Proprietary fund type property, plant and equipment at June 30, 2001, consist of the following:

Enterprise

Furniture and fixtures	\$181,637
Less accumulated depreciation	<u>(149,517)</u>
Total	<u>\$ 32,120</u>

As of June 30, 2001, the District is committed to complete a construction program by FY2004 of approximately \$27,000,000 to update the District's facilities.

(7) Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2001, follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2001</u>
General long-term debt account group:				
Accrued vacation and sick leave	\$ 1,736,549	48,427	0	1,784,976
Installment purchase obligation payable	45,113	0	21,933	23,180
General obligation bonds	<u>10,644,335</u>	<u>27,050,000</u>	<u>705,000</u>	<u>36,989,335</u>
Total	<u>\$12,425,997</u>	<u>27,098,427</u>	<u>726,933</u>	<u>38,797,491</u>

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

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

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

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

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

In 1993, the District issued \$9,994,473 in General Obligation Bonds with an average interest rate of 5.32 percent to advance refund \$10,614,862 of outstanding 1991 Series bonds with an average interest rate of 6.38 percent. The net proceeds of \$10,933,788 (including premium of \$939,315 and after payment of \$74,465 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. As a result, the 1991 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group. As of June 30, 2001, \$7,755,000 defeased bonds are still outstanding.

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

<u>Year Ending June 30</u>	<u>Interest Rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2002	3.25-7.125	1,405,000	1,749,485
2003	3.35-7.125	919,729	2,163,085
2004	3.55-7.125	950,182	2,141,616
2005	3.60-7.125	973,819	2,114,065
2006	3.80-7.125	995,743	2,086,016
2007	3.90-7.125	1,145,550	1,956,218
2008-2028	3.91-7.125	<u>30,599,312</u>	<u>18,535,826</u>
TOTAL		<u>\$36,989,335</u>	<u>\$30,746,311</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. An exception to the 9% limit is provided in O.R.C. 133.06(E). A district may declare themselves a "Special Needs" district. The Bexley Board of Education passed such a resolution on September 24, 2000 and received approval from the Ohio Department of Education to exceed the 9% debt limit. At June 30, 2001 the District's total net debt and unvoted net debt were approximately 11.38% of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County and the City of Bexley. As of June 30, 2001, 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.

(8) Installment Purchase Obligations

The District signed a four year master lease-purchase agreement (installment purchase) dated July 16, 1997 with Bank One of Columbus. The lease is for \$110,000 for copy equipment for the District. The rate of the lease is 5.69% with annual payments. The first payment was due on August 1, 1998. The last payment of \$24,500, including interest of \$1,320, was paid on August 1, 2001.

(9) Defined Benefit Pension Plans

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

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

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

- A. STRS is a cost-sharing, multiple-employer public employee retirement system.
- B. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years if service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the Aformula benefit@ or the Amoney-purchase benefit@ calculation. Under the Aformula benefit@, the retirement allowance is based on years of credited service and final average salary, which is the average of the member=s three highest years= salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

Legislation passed in April 2000 with a July 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased 2.2% from 2.1% per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5% for the 31st year, 2.6% for the 32nd year, 2.7% for the 33rd year, etc; until 100% of the final average salary is reached.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians= fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years= credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

Benefits are established by Chapter 3307, Revised Code.

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

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

- D. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3% of covered payroll for members and 14% for employers. These were the same contribution rates for 1999 and 2000. Employer contributions for 2001, 2000, and 1999 were approximately \$1,667,834; \$1,589,131; and \$1,504,547, respectively, equal to 100% of the required contribution each year.
- E. STRS Ohio issues a stand-alone financial report. Copies of STRS 2000 Comprehensive Annual Financial Report, will be available after Jan. 1, 2001, and can be requested in writing to STRS, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

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

- A. SERS is a cost-sharing multiple-employer defined benefit pension plan.
- B. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. SERS members are eligible for retirement benefits at age 60 with 5 years of service credit, between ages 55 and 60 with at least 25 years of service credit, or at any age with 30 years of service credit. An annual pension will be based upon actual age at retirement, salary (average of best three years) and service credit. At age 65, a member will receive 2.1% of final average salary to 30 years, and 2.5% for each year over 30 years, or a minimum of \$86, for every year of service credit. Members under the age of 65 who retire with less than 30 years of service credit receive reduced benefits.
- C. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.
- D. Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Board. Employer contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were approximately \$294,638; \$278,374; and \$273,343, respectively, equal to 100% of the required contribution for each year.
- E. SERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to SERS at: 45 N. Fourth Street., Columbus, Ohio 43215 or by calling (614) 222-5853.

(10) Postemployment Benefits Other Than Pension Benefits

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

- A. STRS provides comprehensive health care benefits to retirees and their dependents. Coverage include hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.
- B. The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

- C. The STRS Retirement Board currently allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, will 4.5% of covered payroll. For the District this amount approximated \$950,000 during fiscal year 2001.
- D. For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

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

- A. The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premiums for health care. The portion is based on years of service up to a maximum of 75% of the premium.
- B. After the allocation for basic benefits, the remainder of the employer's 14% contributions is allocated to providing health care benefits. At June 30, 2000, the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.
- C. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for healthcare at June 30, 2000 were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million.
- D. The number of participants currently receiving health care benefits is approximately 50,000.
- E. Employer contributions in the amount of \$177,800 and a surcharge in the amount of \$7,156 were used to fund post-employment benefits for the year ended June 30, 2001.

(11) Property Taxes

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates, as established by Franklin County, were January 22, 2001 and June 20, 2001, for those taxes due during 2001.

Real property taxes collected during calendar year 2001 had a lien and levy date of January 1, 2000. Tangible personal property taxes collected during calendar year 2001 had a lien and levy date of January 1, 2001.

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in December 1999. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). The assessed values for collection in 2001, upon which the 2000 levies were based, was as follows:

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

Real Estate	\$315,019,840
Public Utility	6,907,760
Tangible personal	<u>3,139,176</u>
 Total	 <u>\$325,066,776</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 105.38 mills in 2001. The District did collect 7.9 mill operating levy approved in May, 2000 and 5.6 mill bond levy approved in November, 2000, beginning January, 2001.

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) Contingent Liabilities

The District maintains property and casualty insurance of approximately \$37 million. Personal liability insurance is maintained in the amount of \$1 million per occurrence and \$5 million in the aggregate.

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 and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was required to set aside money for budget stabilization. Senate Bill 345 changed the requirement to only place restrictions on the amount placed in the budget stabilization fund from Bureau of Workers' Compensation refunds.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 284,379
Current year Set-aside Requirement	439,790	439,790	0
Qualifying Disbursements	(567,861)	(538,612)	0
Reduction Due to S.B. 345	<u>0</u>	<u>0</u>	<u>(178,473)</u>
Total	(128,071)	(98,822)	105,906
 Set-aside Cash Balance as of June 30, 2001	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$105,906</u>

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

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

(14) Budget Basis of Accounting

The adjustments necessary to convert the results of operations and fund balances at the end of year on the GAAP basis to the budget basis are as follows:

Excess (deficiency) of revenues and other financing sources over expenditures and other financing issues.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$3,900,561	\$ 69,791	\$1,346,005	\$27,175,978
Increase (decrease):				
Due to revenues	(1,610,934)	(42,065)	(540,282)	(252,515)
Due to encumbrances:				
Recognized as expenditures in budget	(584,362)	(76,285)	0	(2,764,257)
Due to expenditures	368,033	(8,146)	8,340	14,657
Fair value adjustment	0	0	0	(38,230)
Funds budgeted as Special Revenue funds; accounted for as agency funds	<u>0</u>	<u>48,810</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$2,073,298</u>	<u>\$(7,895)</u>	<u>\$814,063</u>	<u>\$24,135,633</u>

(15) Fund Equity

The Food Service Enterprise Retained Earnings had a GAAP deficit of \$162,737 at June 30, 2001. This GAAP deficit will be funded with future charges for services and cash transfers.

(16) State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 7, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

BEXLEY CITY SCHOOL DISTRICT

Notes to General Purpose Financial Statements, Continued

(17) Restatement of Beginning Fund Balance

In prior years, the District accounted for monies held on behalf of others within a Special Revenue Fund. These monies are custodial in nature and would be more appropriately accounted for within an Agency Fund. As such, the beginning fund balance has been restated as follows:

Beginning Fund Balance as previously reported	<u>Special Revenue Fund</u> \$465,612
Adjustment for monies held on behalf of others	<u>(240,148)</u>
Beginning Fund Balance as restated	<u>\$225,464</u>

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BEXLEY CITY SCHOOL DISTRICT

Reports Issued Pursuant to the
OMB Circular A-133

June 30, 2001

BEXLEY CITY SCHOOL DISTRICT

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

The Board of Education
Bexley City School District
Bexley, Ohio

and

The Honorable Jim Petro
Auditor of State

We have audited the financial statements of Bexley City School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

KPMG LLP

November 30, 2001



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

The Board of Education
Bexley City School District
Bexley, Ohio

and

The Honorable Jim Petro
Auditor of State

Compliance

We have audited the compliance of Bexley City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2001. 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 are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 01-1 and 01-2.

Internal Control Over Compliance

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

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

Schedule of Receipts and Expenditures of Federal Awards

We have audited the general purpose financial statements of the District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 30, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

KPMG LLP

November 30, 2001

BEXLEY CITY SCHOOL DISTRICT

Schedule of Receipts and Expenditures of Federal Awards

June 30, 2001

<u>Federal grantor/ pass through grantor/ program title</u>	<u>Federal CFDA number</u>	<u>Federal receipts</u>	<u>Federal expenditures</u>
U.S. Department of Agriculture:			
Pass-through State Department of Education:			
National School Lunch Program	10.555	\$ 34,759	34,759
Other Federal Assistance – Inkind:			
Food Distribution	10.550	<u>15,277</u>	<u>14,030</u>
Subtotal – U.S. Department of Agriculture		<u>50,036</u>	<u>48,789</u>
U.S. Department of Education:			
Pass-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	96,719	94,697
Special Education – Grants to State – Title VI-B	84.027	119,106	117,864
Drug-Free Schools Program	84.186	12,079	9,555
Eisenhower Professional Development State Grants	84.281	16,580	0
Innovative Education Program Strategy	84.298	16,672	25,493
Class Size Reduction	84.340	<u>39,792</u>	<u>42,580</u>
Subtotal – U.S. Department of Education		<u>300,948</u>	<u>290,189</u>
Total Federal Assistance		\$ <u>350,984</u>	<u>338,978</u>

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

BEXLEY CITY SCHOOL DISTRICT

Notes to Schedule of Receipts and Expenditures of Federal Awards

June 30, 2001

(1) General

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

(2) Basis of Accounting

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented using the 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 program (National School Lunch Program) on the basis of the value of the goods received during the fiscal year.

BEXLEY CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2001

(1) Summary of Auditors' Results

- a) The type of report issued on the general purpose financial statements: **Unqualified opinion**
- b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None reported**
- c) Material weaknesses: **None**
- d) Noncompliance which is material to the general purpose financial statements: **None**
- e) Reportable conditions in internal control over major programs: **None reported**
- f) Material weaknesses: **None**
- g) The type of report issued on compliance for major programs: **Unqualified opinion**
- h) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **Yes (see findings 01-1 and 01-2)**
- i) Major programs: **Special Education Cluster (CFDA # 84.027) and Title I Grants (CFDA #84.010)**
- j) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- k) Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **No**

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

None

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

See findings 01-1 and 01-2

BEXLEY CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2001

(4) Finding 01-1; Special Education Cluster and Title I, Department of Education

(a) Criteria

In accordance with OMB Circular A-87, Bexley City School District (the District) is required to obtain documentation to support salaries and wages charged to Federal Awards. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages are to be supported by periodic certification. These certifications should be prepared at least semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(b) Condition

The District employs school psychologists, and aides to work 100% on Special Education related tasks and teachers to work on Title I related tasks, however, only a portion of their time is charged to Title VI-B and Title I, respectively. They are not required to complete monthly timesheets because they work solely on special education. Additionally, none of the employees prepared semi-annual certifications prior to the beginning of the audit.

(c) Questioned Costs

Although the District does not currently require these employees to provide certification of their time, the District does have adequate controls in place to monitor the amount of payroll charged to Title VI-B and Title I. Additionally, the District is fully aware of the fact that these six employees spend 100% of their time on special education tasks. Consequently, it appears that payroll costs have been properly charged to Title VI-B and Title I and therefore, the amount of questioned costs is \$0.

(d) Context

Based on the fact that the District has controls in place to monitor payroll costs such as review of cash position and appropriation overdraft reports, the finding does not materially impact the financial position of the District, nor does it have a significant impact on the Special Education or Title I Programs which are partially funded by Federal monies.

(e) Effect

The District is not properly complying with the requirements of OMB Circular A-87.

(f) Cause

The District was not aware of the fact that they must obtain proper certification from employees who spend 100% of their time on a single Federal award or cost objective.

(g) Recommendation

We recommend the District alert the employees of this requirement and obtain semi-annual certifications of their time.

BEXLEY CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2001

(4) (Continued)

Finding 01-2; Title I, Department of Education

(a) Criteria

In accordance with Title I requirements, Bexley City School District (the District) is required to have timely communications with private school officials in making their determinations of whether or not to participate in the District's Title I program.

(b) Condition

The District did not communicate with private school officials to determine whether or not the private schools wish to participate in Title I.

(c) Questioned Costs

Although the District did not communicate with private officials regarding private school participation, no costs that the District did spend are questioned. Additionally, the District has not been made aware of any private school that did wish to participate in the program, and no recent prior year communications resulted in interest to participate in the program. Consequently, the amount of questioned costs is \$0.

(d) Context

Based on the fact that the District properly spent the federal funding received, and that private schools have not expressed interest in participating in the program, the finding does not materially impact the financial position of the District, nor does it have a significant impact on the Title I Program which is partially funded by Federal monies.

(e) Effect

The District is not properly complying with the requirements of Title I for participation of private schools and does not have a control in place to ensure proper compliance.

(f) Cause

The District neglected to send private schools nonpublic school eligibility request forms for the Title I grant.

(g) Recommendation

We recommend the District create a control to ensure the private school communications regarding participation in the District's Title I program occur annually.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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BEXLEY CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2002**