



**Auditor of State
Betty Montgomery**

**WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Assets – Fiduciary Funds.....	17
Statement of Changes in Net Assets – Fiduciary Funds	18
Notes to the Basic Financial Statements	19
Required Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	38
Notes to Required Supplementary Information.....	39
Independent Accountants' Report on Internal Controls over Financial Reporting and Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41
Schedule of Findings	43
Schedule of Prior Audit Findings.....	55

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Wyoming City School District
Hamilton County
420 Springfield Pike
Cincinnati, Ohio 45215

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wyoming City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Wyoming City School District, Hamilton County, Ohio, as of June 30, 2005, and the respective changes in financial position, where applicable, 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 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 28, 2006

WYOMING CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The discussion and analysis of Wyoming City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$2,259,054.
- General revenues accounted for \$21,768,833 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,910,533 or 8% of total revenues of \$23,679,366.
- Total assets of governmental activities decreased by \$546,309 as taxes receivable decreased by \$354,738 while cash and other receivables increased by \$453,652.
- The District had \$21,420,312 in expenses related to governmental activities; \$1,910,533 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$21,768,833 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Debt Service are the major funds of the District.

Government-wide Financial Statements

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District reports Governmental Activities. Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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 all 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 more or fewer financial resources that can be spent in the near future to finance educational 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 financial statements.

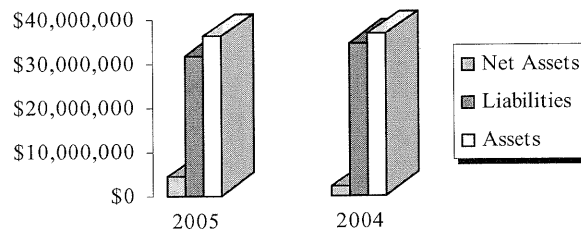
The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2005 compared to 2004:

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current Assets	\$13,214,984	\$13,116,459
Capital Assets	22,950,420	23,595,254
Total Assets	36,165,404	36,711,713
Liabilities		
Long-Term Liabilities	24,832,126	25,129,166
Other Liabilities	7,091,584	9,599,907
Total Liabilities	31,923,710	34,729,073
Net Assets		
Invested in Capital		
Assets Net of Debt	109,774	278,408
Restricted	1,696,108	1,078,713
Unrestricted	2,435,812	625,519
Total Net Assets	\$4,241,694	\$1,982,640



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$4,241,694.

At year-end, capital assets represented 63% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$109,774. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,696,108, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$2,435,812 may be used to meet the District's ongoing obligations to the students and creditors.

Capital Assets decreased as a result of depreciation expense exceeding additions. Other liabilities decreased significantly due to the decrease in deferred revenue. The decrease in deferred revenue is a result of how the county accounts for advances available and how advances available increased from the prior year while property taxes receivable remained consistent as compared to the prior year.

Table 2 shows the change in net assets for fiscal year 2005 compared to 2004:

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004
Program Revenues:		
Charges for Services	\$1,238,589	\$577,152
Operating Grants	655,984	671,016
Capital Grants	15,960	7,487
General Revenue:		
Income Taxes	4,889,952	4,640,040
Property Taxes	9,359,352	9,095,840
Grants and Entitlements	7,070,272	6,499,069
Other	449,257	589,375
Total Revenues	<u>23,679,366</u>	<u>22,079,979</u>
Program Expenses:		
Instruction	11,578,166	12,589,732
Support Services:		
Pupil and Instructional Staff	1,907,388	1,317,716
General and School Administrative, Fiscal and Business	2,375,844	2,198,803
Operations and Maintenance	1,986,931	1,702,965
Pupil Transportation	430,631	367,792
Central	401,440	335,937
Operation of Non-Instructional Services	748,763	548,095
Extracurricular Activities	762,766	408,283
Interest and Fiscal Charges	1,228,383	1,286,663
Total Expenses	<u>21,420,312</u>	<u>20,755,986</u>
Change in Net Assets	2,259,054	1,323,993
Beginning Net Assets	<u>1,982,640</u>	<u>658,647</u>
Ending Net Assets	<u>\$4,241,694</u>	<u>\$1,982,640</u>

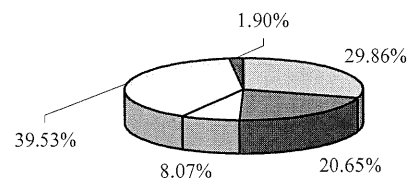
Governmental Activities

The District revenues are mainly from three sources. Property taxes levied for general purposes, grants and entitlements, and payments in lieu of taxes and income taxes comprised 90% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40% of revenue for governmental activities for the District in fiscal year 2005.

Revenue Sources	2005	Percent of Total
General Grants	\$7,070,272	29.86%
Income Taxes	4,889,952	20.65%
Program Revenues	1,910,533	8.07%
General Tax Revenues	9,359,352	39.53%
Other Revenues	449,257	1.90%
	<u>\$23,679,366</u>	<u>100.00%</u>



Instruction comprises 54% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest expense were 13%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Increase in the District's revenue can be attributed to the increases in charges for services program revenue and property taxes general revenue. Charges for services increased due to higher food services and athletic sales. Property tax revenue increased from higher assessed values of property. Expenses remained relatively consistent when compared to the prior year increasing a modest 3.2% as a result of inflationary costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction	\$11,578,166	\$12,589,732	(\$10,841,060)	(\$11,708,081)
Support Services:				
Pupil and Instructional Staff	1,907,388	1,317,716	(1,881,879)	(1,314,776)
General and School Administrative, Fiscal and Business	2,375,844	2,198,803	(2,375,844)	(2,198,803)
Operations and Maintenance	1,986,931	1,702,965	(1,938,748)	(1,634,368)
Pupil Transportation	430,631	367,792	(372,987)	(364,445)
Central	401,440	335,937	(392,878)	(325,146)
Operation of Non-Instructional Services	748,763	548,095	(7,461)	(423,712)
Extracurricular Activities	762,766	408,283	(470,539)	(244,337)
Interest and Fiscal Charges	1,228,383	1,286,663	(1,228,383)	(1,286,663)
Total Expenses	<u>\$21,420,312</u>	<u>\$20,755,986</u>	<u>(\$19,509,779)</u>	<u>(\$19,500,331)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the general fund comprised \$10,557,828 (79%) and the debt service fund comprised \$2,211,117 (17%) of the total \$13,364,984 governmental funds assets.

General Fund: Fund balance at June 30, 2005 was \$3,984,568 including \$1,209,847 of unreserved balance. The primary reasons for the increase in fund balance were increases in taxes revenue from higher assessed property values and intergovernmental revenue in the form of grants.

Debt Service Fund: Fund balance at June 30, 2005 was \$1,331,545 including \$716,545 of unreserved balance. The primary reason for the increase in fund balance was an increase in tax revenue from higher assessed property values.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2005, the District amended its general fund budget two times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$18,330,601, above original budget estimates of \$17,446,971. Of this \$883,630 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$22,950,420 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land	\$629,493	\$629,493
Buildings and Improvements	21,635,705	22,321,699
Equipment	685,222	644,062
Total Net Capital Assets	<u>\$22,950,420</u>	<u>\$23,595,254</u>

The decrease in capital assets is due to recognition of \$890,901 in depreciation expense. The District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2005, the District had \$22,175,000 in bonds payable, \$465,000 due within one year. Table 5 summarizes bonds outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities 2005	Governmental Activities 2004
General Obligation Bonds:		
School Improvement Bonds Series 1999	<u>\$22,175,000</u>	<u>\$22,615,000</u>

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Scott Hiles, Treasurer at Wyoming City School District, 420 Springfield Pike, Wyoming, Ohio 45215.

Wyoming City School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$2,518,200
Receivables:	
Taxes	10,574,799
Accounts	31,921
Intergovernmental	85,794
Inventory	4,270
Nondepreciable Capital Assets	629,493
Depreciable Capital Assets, Net	<u>22,320,927</u>
 Total Assets	 <u>36,165,404</u>
Liabilities:	
Accounts Payable	35,544
Accrued Wages and Benefits	2,546,150
Accrued Interest Payable	100,212
Unearned Revenue	4,409,678
Long-Term Liabilities:	
Due Within One Year	809,021
Due In More Than One Year	<u>24,023,105</u>
 Total Liabilities	 <u>31,923,710</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	109,774
Restricted for:	
Special Revenue	231,880
Debt Service	1,297,382
Capital Projects	166,846
Unrestricted	<u>2,435,812</u>
 Total Net Assets	 <u><u>\$4,241,694</u></u>

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$9,737,357	\$302,621	\$153,704	\$15,960	(\$9,265,072)
Special	1,716,072	0	264,821	0	(1,451,251)
Vocational	124,737	0	0	0	(124,737)
Support Services:					
Pupil	1,063,175	0	5,102	0	(1,058,073)
Instructional Staff	844,213	0	20,407	0	(823,806)
General Administration	31,502	0	0	0	(31,502)
School Administration	1,768,116	0	0	0	(1,768,116)
Fiscal	576,226	0	0	0	(576,226)
Operations and Maintenance	1,986,931	48,183	0	0	(1,938,748)
Pupil Transportation	430,631	57,644	0	0	(372,987)
Central	401,440	0	8,562	0	(392,878)
Operation of Non-Instructional Services	748,763	537,914	203,388	0	(7,461)
Extracurricular Activities	762,766	292,227	0	0	(470,539)
Interest and Fiscal Charges	1,228,383	0	0	0	(1,228,383)
Totals	\$21,420,312	\$1,238,589	\$655,984	\$15,960	(19,509,779)

General Revenues:	
Income Taxes	4,889,952
Property Taxes Levied for:	
General Purposes	7,679,519
Debt Service Purposes	1,679,833
Grants and Entitlements not Restricted to Specific Programs	7,070,272
Unrestricted Contributions	122,022
Investment Earnings	80,714
Refunds and Reimbursements	36,005
Other Revenues	210,516
Total General Revenues	21,768,833
Change in Net Assets	2,259,054
Net Assets Beginning of Year	1,982,640
Net Assets End of Year	\$4,241,694

See accompanying notes to the basic financial statements.

Wyoming City School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,297,696	\$716,545	\$503,959	\$2,518,200
Receivables:				
Taxes	9,080,227	1,494,572	0	10,574,799
Accounts	30,105	0	1,816	31,921
Intergovernmental	0	0	85,794	85,794
Interfund	149,800	0	200	150,000
Inventory	0	0	4,270	4,270
Total Assets	10,557,828	2,211,117	596,039	13,364,984
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	33,600	0	1,944	35,544
Accrued Wages and Benefits	2,505,588	0	40,562	2,546,150
Compensated Absences	111,891	0	0	111,891
Interfund Payable	0	0	150,000	150,000
Deferred Revenue	3,922,181	879,572	80,826	4,882,579
Total Liabilities	6,573,260	879,572	273,332	7,726,164
Fund Balances:				
Reserved for Encumbrances	74,721	0	103,912	178,633
Reserved for Inventory	0	0	4,270	4,270
Reserved for Property Tax Advances	2,700,000	615,000	0	3,315,000
Unreserved, Undesignated, Reported in:				
General Fund	1,209,847	0	0	1,209,847
Special Revenue Funds	0	0	131,879	131,879
Debt Service Funds	0	716,545	0	716,545
Capital Projects Funds	0	0	82,646	82,646
Total Fund Balances	3,984,568	1,331,545	322,707	5,638,820
Total Liabilities and Fund Balances	\$10,557,828	\$2,211,117	\$596,039	\$13,364,984

See accompanying notes to the basic financial statements.

Wyoming City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balance		\$5,638,820
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,950,420
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	392,075	
Intergovernmental	<u>80,826</u>	
		472,901
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(100,212)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(1,171,035)</u>	
		(1,171,035)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(23,549,200)</u>
Net Assets of Governmental Activities		<u><u>\$4,241,694</u></u>

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$12,477,271	\$1,664,587	\$0	\$14,141,858
Tuition and Fees	361,036	0	0	361,036
Investment Earnings	79,173	0	1,541	80,714
Intergovernmental	6,887,277	198,705	572,408	7,658,390
Extracurricular Activities	0	0	290,795	290,795
Charges for Services	0	0	541,922	541,922
Other Revenues	251,769	0	164,956	416,725
Total Revenues	20,056,526	1,863,292	1,571,622	23,491,440
Expenditures:				
Current:				
Instruction:				
Regular	9,133,260	0	157,193	9,290,453
Special	1,534,652	0	109,523	1,644,175
Vocational	122,990	0	0	122,990
Support Services:				
Pupil	1,036,452	0	33,968	1,070,420
Instructional Staff	628,499	0	114,222	742,721
General Administration	31,502	0	0	31,502
School Administration	1,655,353	0	0	1,655,353
Fiscal	512,391	17,671	4,751	534,813
Operations and Maintenance	1,758,280	0	29,714	1,787,994
Pupil Transportation	359,804	0	0	359,804
Central	317,739	0	35,870	353,609
Operation of Non-Instructional Services	0	0	748,608	748,608
Extracurricular Activities	430,187	0	306,556	736,743
Capital Outlay	152,251	0	98,778	251,029
Debt Service:				
Principal Retirement	100,000	376,200	0	476,200
Interest and Fiscal Charges	47,525	1,182,670	0	1,230,195
Total Expenditures	17,820,885	1,576,541	1,639,183	21,036,609
Excess of Revenues Over (Under) Expenditures	2,235,641	286,751	(67,561)	2,454,831
Other Financing Sources (Uses):				
Transfers In	14,218	0	35,000	49,218
Transfers (Out)	(49,218)	0	0	(49,218)
Total Other Financing Sources (Uses)	(35,000)	0	35,000	0
Net Change in Fund Balance	2,200,641	286,751	(32,561)	2,454,831
Fund Balance Beginning of Year	1,783,927	1,044,794	355,268	3,183,989
Fund Balance End of Year	\$3,984,568	\$1,331,545	\$322,707	\$5,638,820

See accompanying notes to the basic financial statements.

Wyoming City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance - Total Governmental Funds \$2,454,831

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

Governmental funds report capital asset additions 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 of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	246,067	
Depreciation Expense	<u>(890,901)</u>	(644,834)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	107,447	
Intergovernmental	<u>80,479</u>	187,926

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 476,200

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 1,812

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	<u>(216,881)</u>	<u>(216,881)</u>
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Change in Net Assets of Governmental Activities \$2,259,054

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$23,539</u>	<u>\$84,496</u>
Total Assets	<u>23,539</u>	<u>\$84,496</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>84,496</u>
Total Liabilities	<u>0</u>	<u>\$84,496</u>
Net Assets:		
Held in Trust	<u>23,539</u>	
Total Net Assets	<u>\$23,539</u>	

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
Additions:	
Other	\$13,423
Total Additions	13,423
Deductions:	
Other	5,536
Total Deductions	5,536
Change in Net Assets	7,887
Net Assets Beginning of Year	15,652
Net Assets End of Year	\$23,539

See accompanying notes to the basic financial statements.

**WYOMING CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

1. DESCRIPTION OF THE DISTRICT

The District was chartered by the Ohio State Legislature in 1832 when state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected 5 member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 82 non-certificated personnel and approximately 168 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 14th largest in Hamilton County in terms of enrollment. It currently operates 3 primary schools, 1 middle school (grades 5-8), and 1 high school (grades 9-12).

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a private purpose trust fund which accounts for scholarship programs for students. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.

3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. 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.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and investments” on the financial statements. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as “Equity in Pooled Cash and Investments”.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund amounted to \$79,173.

INVENTORY

Inventories are presented on a first-in, first-out basis and are expensed when used. Inventory consists of food held for resale and consumable supplies.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of 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 fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars (\$2,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20 years	N/A
Equipment	20 years	N/A
Vehicles	5 - 20 years	5 - 20 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is due and payable. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. These transfers are eliminated on the Statement of Activities.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

4. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, \$2,658,832 of the District's bank balance of \$2,758,832 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2005, the District had no investments.

5. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined).

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most business and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable on the 2006 and subsequent year returns is not subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2005, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$2,700,000 for General Fund and \$615,000 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2005 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$251,875,360
Public Utility Personal	3,662,910
Tangible Personal Property	<u>638,670</u>
Total	<u>\$256,176,940</u>

6. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Title V	\$762
Improving Teacher Quality	23,379
Food Service	4,968
Special Education	<u>56,685</u>
Total	<u>\$85,794</u>

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$629,493	\$0	\$0	\$629,493
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	28,716,743	0	0	28,716,743
Equipment	<u>1,845,417</u>	<u>246,067</u>	<u>0</u>	<u>2,091,484</u>
Totals at Historical Cost	31,191,653	246,067	0	31,437,720
Less Accumulated Depreciation:				
Buildings and Improvements	6,395,044	685,994	0	7,081,038
Equipment	<u>1,201,355</u>	<u>204,907</u>	<u>0</u>	<u>1,406,262</u>
Total Accumulated Depreciation	<u>7,596,399</u>	<u>890,901</u>	<u>0</u>	<u>8,487,300</u>
Governmental Activities Capital Assets, Net	<u>\$23,595,254</u>	<u>(\$644,834)</u>	<u>\$0</u>	<u>\$22,950,420</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$456,409
Special		18,887
Support Services:		
Pupil		8,909
Instructional Staff		126,597
School Administration		27,172
Fiscal		8,909
Operations and Maintenance		138,268
Pupil Transportation		70,827
Central		9,711
Extracurricular Activities		<u>25,212</u>
Total Depreciation Expense		<u>\$890,901</u>

8. LONG-TERM LIABILITIES

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds:					
School Improvement 4.97%	\$20,715,000	\$0	\$340,000	\$20,375,000	\$365,000
School Improvement 5.05%	<u>1,900,000</u>	<u>0</u>	<u>100,000</u>	<u>1,800,000</u>	<u>100,000</u>
Total General Obligation Bonds	22,615,000	0	440,000	22,175,000	465,000
Lease Purchase Administration Building 8.75%	505,200	0	18,100	487,100	19,600
Lease Purchase Administration Building 6.03%	<u>905,200</u>	<u>0</u>	<u>18,100</u>	<u>887,100</u>	<u>19,600</u>
Total Long Term Debt	24,025,400	0	476,200	23,549,200	504,200
Compensated Absences	<u>1,103,766</u>	<u>480,168</u>	<u>301,008</u>	<u>1,282,926</u>	<u>304,821</u>
Total Governmental Activities Long-Term Liabilities	<u>\$25,129,166</u>	<u>\$480,168</u>	<u>\$777,208</u>	<u>\$24,832,126</u>	<u>\$809,021</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$465,000	\$1,121,240
2007	490,000	1,102,273
2008	520,000	1,081,878
2009	550,000	1,059,798
2010	585,000	1,035,973
2011-2015	3,495,000	4,741,895
2016-2020	4,810,000	3,658,525
2021-2025	6,445,000	2,255,125
2026-2027	<u>4,815,000</u>	<u>504,958</u>
Totals	<u>\$22,175,000</u>	<u>\$16,561,665</u>

9. LEASES

CAPITAL LEASES

The District, in prior years, has entered into two capital leases for buildings.

The leases meet the criteria of capital leases as defined by statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments for the buildings will be made from the Debt Service fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

<u>Fiscal Year Ending June 30,</u>	<u>Long-Term Debt</u>
2006	\$136,648
2007	125,611
2008	125,904
2009	125,545
2010	125,580
2011-2015	627,033
2016-2020	600,038
2021-2025	591,967
2026	<u>118,105</u>
Total Minimum Lease Payments	2,576,431
Less: Amount Representing Interest	<u>(1,202,231)</u>
Present Value of Minimum Lease Payments	<u>\$1,374,200</u>

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Buildings	\$1,500,000
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10. DEFINED BENEFIT PENSION PLANS

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 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion 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, 2005, 2004, and 2003 were \$366,504, \$361,152, and \$355,620 respectively; 95.7% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in 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 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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 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 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, 2005, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%, 13% was the portion used to fund pension obligations. 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 members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,318,692, \$1,291,836, and \$1,257,396 respectively; 84% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

11. POST EMPLOYMENT BENEFITS

The 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 included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision 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, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$99,664 for fiscal year 2005.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the District paid \$124,698 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, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

12. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2005.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with A.M. Peck Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverage's provided by A.M. Peck Insurance are as follows:

Building and Contents - Replacement Cost	\$37,000,000
Inland Marine Coverage	681,000
Boiler and Machinery	No Limit
Crime Insurance	3,000
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	2,000,000
Total Per Year	5,000,000

Settled claims have not exceeded commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year.

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

14. COMPLIANCE AND ACCOUNTABILITY

Compliance

Ohio Revised Code Section 5705.41D states that no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During the year certain expenditures were not properly encumbered prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.

Ohio Revised Code Section 3313.31 states that the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education. The district did not maintain an accurate record of all monies received and improperly posted receipts to the district's books.

Ohio Revised Code Section 3315.062(B) states that if more than fifty dollars is received through a student activity program, the monies from such a program shall be paid into an activity fund established by the board of education. The District does not have a formal policy for the establishment and operation of student activities.

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. At June 30, 2005, the District's disbursements plus encumbrances exceeded appropriations in certain funds.

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. On an interim basis, the District had negative fund balances in certain funds.

Ohio Revised Code Section 9.38 provides that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. The District had instances of money not being deposited in a timely fashion.

Accountability

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Food Service	\$7,203

15. FUND BALANCE RESERVES FOR SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2004	(\$1,190,492)	\$0
Current Year Set-aside Requirement	289,707	289,707
Qualified Disbursements	(612,021)	(411,663)
Current Year Offsets	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>(\$1,512,806)</u>	<u>\$0</u>

Qualifying disbursements and carryover from prior years for textbooks totaled \$1,190,492, resulting in \$1,512,806 for carryover to offset textbook requirements in future years. Qualifying disbursements for capital exceeded the required amount, however nothing can be carried forward to future years.

16. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, consisted of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$149,800	\$0	\$14,218	\$49,218
Other Governmental Funds	<u>200</u>	<u>150,000</u>	<u>35,000</u>	<u>0</u>
	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$49,218</u>	<u>\$49,218</u>

17. CHANGES IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT

For fiscal year 2005, the District has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”. GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

For fiscal year 2005, the District has implemented GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.” This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The District also created fund 020 to account for after school care for students.

The implementation of GASB Technical Bulletin No. 2004-2 and the creation of a new fund had the following effect on the fund balances of the major and nonmajor funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$1,947,625	\$309,939
GASB Technical Bulletin No. 2004-2	(108,077)	(10,292)
Creation of New Fund	<u>(55,621)</u>	<u>55,621</u>
Restated Fund Balance, June 30, 2004	<u>\$1,783,927</u>	<u>\$355,268</u>

18. SUBSEQUENT EVENT

Subsequent to year end, the District advance refunded their General Obligation Bonds.

Wyoming City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,646,881	\$11,186,108	\$11,186,108	\$0
Tuition and Fees	343,632	361,036	361,036	0
Investment Earnings	75,356	79,173	79,173	0
Intergovernmental	6,233,188	6,548,877	6,548,877	0
Other Revenues	147,914	155,405	155,405	0
Total Revenues	17,446,971	18,330,599	18,330,599	0
Expenditures:				
Current:				
Instruction:				
Regular	9,071,489	9,404,184	9,404,184	0
Special	1,481,722	1,536,064	1,536,064	0
Vocational	118,551	122,899	122,899	0
Support Services:				
Pupil	1,018,032	1,055,368	1,055,368	0
Instructional Staff	577,740	598,929	598,929	0
General Administration	33,689	34,925	34,925	0
School Administration	1,611,581	1,670,685	1,670,685	0
Fiscal	554,390	574,722	574,722	0
Operations and Maintenance	1,749,176	1,813,327	1,813,327	0
Pupil Transportation	373,285	386,975	386,975	0
Central	400,185	414,862	414,862	0
Extracurricular Activities	421,868	437,340	437,340	0
Debt Service:				
Principal Retirement	100,000	100,000	100,000	0
Interest and Fiscal Charges	42,306	47,525	47,525	0
Total Expenditures	17,554,014	18,197,805	18,197,805	0
Excess of Revenues Over (Under) Expenditures	(107,043)	132,794	132,794	0
Other financing sources (uses):				
Advances In	19,661	20,657	20,657	0
Advances (Out)	(144,693)	(150,000)	(150,000)	0
Transfers In	7,007	7,362	7,362	0
Transfers (Out)	(57,082)	(59,175)	(59,175)	0
Total Other Financing Sources (Uses)	(175,107)	(181,156)	(181,156)	0
Net Change in Fund Balance	(282,150)	(48,362)	(48,362)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,278,467	1,278,467	1,278,467	0
Fund Balance End of Year	\$996,317	\$1,230,105	\$1,230,105	\$0

See accompanying notes to the required supplementary information.

WYOMING CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2005

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2005.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$2,200,641
Net Adjustment for Revenue Accruals	(1,712,126)
Net Adjustment for Expenditure Accruals	(428,556)
Encumbrances	<u>(108,321)</u>
Budget Basis	<u>(\$48,362)</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Wyoming City School District
Hamilton County
420 Springfield Pike
Cincinnati, Ohio 45215

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wyoming City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-003 through 2005-010.

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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable condition 2005-004 listed above to be a material weakness. In a separate letter to the District's management dated November 28, 2006 we reported other matters involving the internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2005-001 through 2005-008. In a separate letter to the District's management dated July 31, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 28, 2006

**WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Finding For Recovery/Noncompliance

The District's eleven month employee contracts are for the period July 1 to June 30. However, the employees do not report to work until August. This procedure results in employees receiving payment for services that have yet to be provided to the District. Patricia Levy did not work during the period of July 1, 2005 through August 10, 2005 (effective resignation date). The District issued two pay checks to her in the amount of \$1,642.00 (\$821.00 per pay) for the same time period resulting in an overpayment of \$1,642.00.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Patricia Levy, school secretary, and Mr. Scott Charles Hiles, Treasurer, and Travelers Casualty and Surety Company of America, Mr. Hile's surety, joint and severally in the total amount of \$1,642.00 and in favor of Wyoming City School District.

FINDING NUMBER 2005-002

Finding For Recovery/Noncompliance

The Wyoming Education Association Master Contract section 7.1002 provides staff members semi-annual opportunities, September or April 20th, to purchase computers through twenty-four payroll deductions beginning in either October or May. If for any reason a bargaining unit member resigns or is released from employment any outstanding balances for computers is to be deducted from their final paycheck. Patricia Levy authorized the Board of Education to deduct \$840.20 for a computer purchase on February 23, 2005. Her employment with the District ended August 10, 2005 (effective date of resignation). Payroll deductions of \$35.01 began on May 23, 2005 for the next 7 pay periods for a total \$245.07 resulting in a balance due to the District of \$595.13.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Patricia Levy, school secretary, in the total amount of \$595.13 and in favor of Wyoming City School District.

FINDING NUMBER 2005-003

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

**FINDING NUMBER 2005-003
(Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certifications for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

General Non-payroll Disbursements

Fourteen percent (14%) of the transactions tested did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Unrecorded Non-payroll Liabilities

Forty-three percent (43%) of the transactions tested did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized. Also, fifty-seven percent (57%) of the transactions tested had an invoice amount that exceeded the purchase order amount.

Failure to certify commitments could result in unauthorized expenditures and deficit fund balances.

**FINDING NUMBER 2005-003
(Continued)**

We recommend the District monitor and record its liabilities. Unless the District uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response

Since July 2005 we have more closely monitored our spending. We have been using the "Then and Now" certification when appropriate. In December 2005 the Board of Education passed a resolution authorizing blanket purchase orders for up to \$12,000 and that they not go past June 30 of the current school year. This has enabled us to operate more efficiently.

FINDING NUMBER 2005-004

Noncompliance/Material Weakness

Ohio Rev. Code, Section 3313.31, states, in part, that the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education.

In addition, Ohio Admin. Code Section 117-2-02 (A) states all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

- The District did not maintain an accurate record of all monies received. The accounting records of the District contained several posting errors and lacked correct classification of receipts and expenditures. As a result, those records which were maintained by the Treasurer were not an accurate reflection of all monies received and expended. All of these conditions exhibit a lack of control over the recording and reporting of the District's financial activity.
- The District did not properly reconcile its general checking account during the audit period. The District's attempted reconciliations of the bank balances to the financial records contained posting errors, banking errors, items not posted, and wrong outstanding check number in the monthly reconciliation. The District reported seventy-one reconciling items/adjustments at year end totaling \$49,574.30 however, even with these seventy-one items there were monthly variances between the bank and book balance ranging from (\$700) to \$30,477. The Auditor of State (AOS) reviewed these reconciling items/adjustments and the monthly bank reconciliations prepared by the District and determined that there were seventy-nine reconciling items/adjustments (67 per the District that were confirmed by the AOS; 10 that were found by the District during the year but not included in the final adjustments presented to the AOS; and 2 found by the AOS) at year end totaling \$50,166.53. The following are the most significant errors noted:

**FINDING NUMBER 2005-004
 (Continued)**

- I. The District issued manual checks for the athletic events change fund for \$1,000 and food service change fund for \$350 but did not post the expense to the District's books.
- II. The District opened an Athletic Department Checking Account in January 2005 by transferring \$5,000 from their General Checking Account into a separate bank account. Monthly cash reconciliations were not performed for this new account.
- III. The District posted expenses for their 2nd half real estate tax settlement charges twice (General - \$37,041.75 and Debt Service - \$8,362.44). The District posted expenses associated with their June Foundation payment twice for \$2,455.49.
- IV. The District did not report the proper amount of outstanding checks at the end of the month for their February 2005 (short \$10,427.19) and June 2005 (short \$29,815.51) monthly bank reconciliation.
- V. The District posted a memo check incorrectly for \$1,400.
- VI. The District had multiple posting errors where they did not post the proper amount to the system that was deposited with the bank.
- VII. The District had a few instances where duplicate receipts were posted to the system.

The following table is a summary of the monthly bank balance, book balance, and monthly variance as determined by the AOS after reviewing the adjustments/reconciling items and monthly bank reconciliations presented by the District which includes the seventy-nine adjustments for \$50,166.53 as mentioned above:

Per AOS			
Month	Bank Balance	Book Balance	Variance
Jul-04	\$6,320,936.79	\$6,321,636.79	\$(700.00)
Aug-04	5,697,063.78	5,697,763.78	(700.00)
Sep-04	4,965,403.59	4,966,103.54	(699.95)
Oct-04	4,779,421.01	4,780,120.94	(699.93)
Nov-04	3,465,103.88	3,465,434.48	(330.60)
Dec-04	2,683,610.76	2,683,941.36	(330.60)
Jan-05	2,600,628.18	2,600,958.76	(330.58)
Feb-05	3,957,556.38	3,957,886.98	(330.60)
Mar-05	3,887,077.01	3,887,407.61	(330.60)
Apr-05	4,437,143.64	4,437,474.24	(330.60)
May-05	2,979,894.59	2,980,225.39	(330.80)
Jun-05	2,625,907.14	2,626,237.94	(330.80)

The following table represents the effects on the ending fund balances for those funds associated with the adjusting/reconciling items identified by the AOS:

**FINDING NUMBER 2005-004
 (Continued)**

Fund	Ending 2005 Balance Per The District	AOS Adjustments Related To Cash Reconciliations	Corrected 2005 Ending Fund Balance
General [001]	\$1,338,427	\$41,380	\$1,379,807
Bond Retirement [002]	610,247	8,332	618,579
Public School Support [018]	25,133	(378)	24,755
District Managed Student Activity [300]	51,915	(2,484)	49,431
Special Enterprise [020]	44,912	4,008	48,920
Food Service [006]	6,731	(1,295)	5,436
Student Managed Activity [200]	83,893	603	84,496
Total	2,161,258	50,166	2,211,424

Failure to accurately prepare and reconcile the accounting records reduces the accountability over District funds and reduces the Board's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the District's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as ensure that all recorded transactions have been deposited with the financial institution.

We recommend that the Treasurer perform reconciliations between the bank balance and computer generated general ledger balance monthly. The reconciled checking, payroll, and athletic department account balance (bank balance, less outstanding checks, plus deposits in transit) plus each investment balance should equal the total fund balance. Any variances should be immediately investigated and justified. We also recommend that a board member review and sign off on the reconciliation thereby indicating approval and assist in the timeliness of reconciliations.

Officials' Response

The prior Treasurer did not reconcile the bank statements. We have identified the mistakes and made the appropriate corrections. In the future, all monthly bank statement reconciliations will be taken to the Board Finance Committee for review.

Beginning with the 2005-2006 school year, the change funds are recorded as expenditures when issued in August. A reduction of expenditure is recorded when the funds are returned at the end of the school year.

We are working with the Athletic Director to ensure monthly bank reconciliations are done on the Athletic Department Checking account. The monthly bank reconciliations will be sent to the Treasurer for approval each month.

FINDING NUMBER 2005-005

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 3315.062(B), provides that if more than fifty dollars is received through a student activity program, the monies from such a program shall be paid into an activity fund established by the board of education of the school district. The board shall adopt regulations governing the establishment and maintenance of such fund, including a system of accounting to separate and verify such transactions and to show the source from which the fund revenue is received, the amount collected from each source, and the amount expended for each purpose. Expenditures from the fund shall be subject to the approval of the board.

**FINDING NUMBER 2005-005
(Continued)**

1986 Op. Att'y Gen No 86-013 provides that monies in a student activity fund are public funds and that fund revenue is unquestionably under the control of the board of education, as the board is required, pursuant to Ohio Rev. Code Section 3315.062 to approve expenditures from student activity funds.

Ohio Admin. Code Section 117-2-02 (A) states all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

While the District does utilize budget forms and purpose clauses for their student activities, the District does not have a formal policy for the establishment and operations of their student activities. The board

of education should adopt, by resolution in the official board minutes, rules, regulations and policies to govern the establishment, management, controls and operations of the student activity funds (Funds 200 and 300). The policy should include, but should not be limited to, designation of the person responsible for approval of requisitions for expenditures, duties and responsibilities of the advisors/sponsors, the preparation of budget and purpose clauses, fund raising potentials, reconciliation or proofs of cash, use of pay-ins for both the monies collected from the students and the monies submitted to the District for deposit, and the retention of all documentation to support the receipt and expenditure of the monies collected for the program.

The following deficiencies were noted during review of student activity programs:

- Six percent (6%) of the student activity programs reviewed did not have a purpose clause or a budget form.
- Of the purpose clauses and budget forms completed for student activity programs twenty-one percent (21%) were not signed by the principal.
- The advisors/sponsors for the student activity programs did not utilize pay-ins and/or receipts for the money collected from the students. Also, the advisors/sponsors did not consistently utilize payment records forms for the money collected from the students.
- Prices set for prom tickets and fundraisers were set by the class officers and advisors and were not brought before the Board for approval.

The following deficiencies were noted during review of athletic programs:

- We were unable to recalculate the number of tickets sold at three (25%) of the athletic events tested. We found the following deficiencies when reviewing the District's ticket tally forms for sales at athletic events:
 - I. The beginning ticket number and the ending ticket number on two of the ticket tally forms prepared by the Athletic Director did not agree to the amount of tickets sold as reported by the District.
 - II. The District did not attach the ending ticket number to the ticket tally form for one of the athletic events.
 - III. The person who collects the gates sales at the athletic events does not prepare the ticket tally forms. All ticket tally forms are prepared by the Athletic Director.

**FINDING NUMBER 2005-005
 (Continued)**

- We determined during testing that the Athletic Director prepares all ticket tally forms for revenue collected at the gate sales of athletic events. The District should have the people collecting the revenue for gate sales at athletic events complete the ticket tally form before submitting the revenue to the Athletic Director to ensure proper segregation of duties. We recommend that the individuals collecting revenue for gate sales at athletic events prepare the ticket tally form before submitting the revenue to the Athletic Director. Upon receiving the revenue and ticket tally form the Athletic Director should review and approve the ticket tally form before the deposit is collected by the District Courier and deposited to the bank.

Failure to complete and approve these forms and maintain all supporting documentation could lead to incomplete bookkeeping, a loss of accountability for program receipts and disbursements, and the failure to follow up with students having outstanding obligations at the completion of a program. We recommend that the District implement a formal policy and process for the management and control of student activity programs to address this matter.

Officials' Response

Beginning with the 2005-2006 school year all Student Activity funds were required to have a budget and purpose clause approved and filed with the Treasurer before any funds are expended from their accounts. The District will be reviewing all policies and procedures associated with the Student Activity Funds to make sure they are in compliance with Auditor of State guidelines.

FINDING NUMBER 2005-006

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated as provided in such chapter.

At December 31, 2004, the District's disbursements plus encumbrances exceeded appropriations in the following funds:

Fund [Fund Number]	Appropriation	Actual Disbursements plus Encumbrances	Disbursements plus Encumbrances in Excess of Appropriations
Building [004]	\$0	\$18,314	\$18,314
Expendable Trust [007]	22,900	85,375	62,475
Public School Support [018]	300	16,174	15,874
Auxiliary Services [401]	3,681	64,527	60,846
EMIS [432]	8,904	15,636	6,732

**FINDING NUMBER 2005-006
 (Continued)**

At February 28, 2005, the District's disbursements plus encumbrances exceeded appropriations in the following funds:

Fund [Fund Number]	Appropriation	Actual Disbursements plus Encumbrances	Disbursements plus Encumbrances in Excess of Appropriations
Building [004]	\$0	\$29,714	\$29,714
Expendable Trust [007]	22,900	83,911	61,011
Public School Support [018]	300	18,414	18,114
EMIS [432]	8,904	15,711	6,807

At April 30, 2005, the District's disbursements plus encumbrances exceeded appropriations in the following funds:

Fund [Fund Number]	Appropriation	Actual Disbursements plus Encumbrances	Disbursements plus Encumbrances in Excess of Appropriations
Building [004]	\$0	\$29,714	\$29,714
Expendable Trust [007]	22,900	89,624	66,724
Public School Support [018]	300	39,158	38,858
District Managed Activity [300]	315,967	339,637	23,670
EMIS [432]	8,904	15,711	6,807
IDEA Pre School - Handicapped [587]	12,184	17,608	5,423

Officials' Response

The issue of expenditures exceeding appropriations is a common occurrence during the school year. We have always made sure all budgetary accounts are in compliance by June 30 of each year. We will monitor the appropriations more closely and make changes during the school year as needed.

FINDING NUMBER 2005-007

Noncompliance/Reportable Condition

Ohio Rev. Code Section 5705.10 provides, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. On an interim basis, the District had a negative fund balances in the following funds indicating that money from one fund was used to cover the expenses of another fund.

Month and Year	Fund [Fund Number]	Negative Fund Balance
October 2004	Expendable Trust [007]	\$7,647
October 2004	School Net Pro [452]	1,579
December 2004	Food Service [006]	2,659
December 2004	Preschool Handicapped [587]	1,429
May 2005	Preschool Handicapped [587]	6,852

**FINDING NUMBER 2005-007
(Continued)**

Allowing expenditures to exceed appropriations could result in negative fund balances and the use of District resources required for other services. We recommend the Fiscal Officer deny any payments until the Board has passed the necessary changes to the appropriation measure.

Officials' Response

Negative fund balances do occur at times during the school year. This is due to many funds being operated on a reimbursement basis. This means the District has been approved for funds for the school year. The District is required to spend the funds and then ask for reimbursement. All funds are "in the black" by June 30th of each year.

FINDING NUMBER 2005-008

Noncompliance/Reportable Condition

Ohio Rev. Code Section 9.38 provides that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

In June of 2005 an employee of the District turned in an envelope that contained 155 checks totaling \$10,428.99 and \$451.50 in cash. This money was collected throughout the school year by the District for class fees. The dates of the checks ranged from September 2004 and March 2005 through June 2005.

We recommend the District deposit all receipts to the Treasurer or the designated depository by the next business day following the day of receipt. If the Board feels it is appropriate, they may adopt a policy allowing amounts less than \$1,000 to be held, if properly safeguarded in a fireproof safe, lockbox, etc., for a period not to exceed 3 business days as described above.

Officials' Response

In this one occurrence during the 2004-2005 school year an employee did not follow procedure for depositing of funds. In all other occurrences our employees made deposits within 24 hours of receipt of the funds. We are monitoring the deposit of funds more closely to ensure correct handling of monies being collected.

FINDING NUMBER 2005-009

Reportable Condition

The District should maintain an accurate, integrated, comprehensive capital asset listing, including detailed depreciation schedules to assist in the monitoring and management of their capital assets, and adopt, by a board of education resolution, a formal capital asset policy that supports management assertions related to the reporting of capital assets. The District does not maintain a comprehensive capital asset listing or detailed depreciation schedule, nor do they have a formal capital asset policy. The capital asset listing is maintained by Industrial Appraisal Company and is comprised of segments consisting of an outside appraisal report done by Industrial Appraisal Company in 2000, and each subsequent year end additions and deletion data generated from the District's accounting system based on certain uniform school accounting system codes and check amounts. During fiscal year 2005, the District added equipment related capital assets totaling \$127,853, or approximately 7% of the equipment capital asset ending balance that did not meet their capitalization threshold. In addition, the District did not properly calculate depreciation expense and included depreciation expense for the assets not meeting capitalization requirements resulting in depreciation expense being overstated by \$106,475 or approximately 8% of depreciation expense reported for 2005. These errors resulted from the segmented capital asset records and a lack of detail review of the capital asset activity throughout the year. In addition, assets acquired during fiscal year 2005 were not tagged. The financial statements have not been adjusted for these errors.

To promote adequate safeguards over their capital assets, and to reduce the risk that the District's capital assets will be misstated, the District should develop and adopt a capital asset policy and develop an encompassing capital asset listing containing such information as the tag number, description, cost, acquisition date, location, and depreciation expense. The District should also implement procedures to review and update the capital asset listing on a quarterly basis at a minimum. This should include, but not be limited to, reconciling the District's fixed asset data to an asset listing by location and invoices, and the development of a tracking system that uses addition and disposal forms to be completed by the staff and approved by management when assets are acquired, relocated, or disposed of. Also, the District should remove all items under the capitalization threshold for financial reporting purposes.

Officials' Response

The District will conduct a fixed asset appraisal to update the records. The District will also implement a Fixed Asset Policy which will address the issues mentioned.

FINDING NUMBER 2005-010

Reportable Condition

All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (a) Payroll records including:
 - (i) W-2's, W-4's and other withholding records and authorizations.
 - (ii) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
 - (iii) Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

**FINDING NUMBER 2005-010
(Continued)**

(iv) Information regarding nonmonetary benefits such as car usage and life insurance.

(iv) Information, by employee, regarding leave balances and usage.

The following issues were noted when reviewing year end payroll data, and re-calculating amounts based on the data contained in the payroll records.

- The payroll computer system accrued a negative amount for thirty-seven percent (37%) of the accrued wages transactions reviewed.
- Forty-six percent (46%) of the employee leave forms reviewed were not on file with either the payroll clerk or the building supervisors.

The District should initiate regular reviews of payroll data and documentation to provide evidence that proper procedures are being followed and accurate information is being recorded and maintained.

In addition, the District has approximately fifteen employees on eleven month contracts. The District's eleven month employee contracts are for the period July 1 to June 30 however, the employees do not report to work until August. This procedure has resulted in an employee receiving payment for services that have yet to be provided to the District as disclosed in Finding 2005-001 of this report. The District should adjust the payment of their eleven month contracts to prevent the reoccurrence of this situation.

Officials' Response

Beginning in September 2005 employees have been required to complete the proper leave forms and to submit the leave forms to the Treasurer's Office every two weeks with the normal payroll forms. The Treasurer's Office follows up to make sure we have a leave form on file for every absence.

The eleven month employees pay schedule was changed during the 2005-2006 school year. These employees had their pay stretched over 28 pays instead of 26 pays. This moved the beginning date of their new pay year to a date after they had started work for the new school year. This adjustment should alleviate any future occurrence of the problem mentioned.

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**WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 117.28, finding for recovery for unaccounted public monies	No	Not corrected, finding is valid for current audit period and is issued as Finding 2005-001. The District is still investigating this situation.
2004-002	ORC Section 117.28, finding for recovery for unaccounted public monies	No	Not corrected, finding is valid for current audit period and is issued as Finding 2005-002. The District is still investigating this situation.
2004-003	ORC Section 5705.41(D)1, failure to certify the availability of funds	No	Not corrected, issued as Finding 2005-004
2004-004	ORC Section 3313.31, treasurer shall be the chief fiscal officer of the school district and OAC Section 117-2-02 (A), shall maintain an accounting system and accounting records sufficiently	No	Not corrected, issued as Finding 2005-004
2004-005	ORC Section 3315.062(B), monies for student activities shall be paid to an activity fund; 1986 Op. Att'y Gen 086-013, monies in a student activity fund are public funds; and OAC Section 117-2-02 (A), shall maintain an accounting system and accounting records sufficiently	No	Not corrected, issued as 200-005
2004-006	ORC Section 5705.41(B), disbursements plus encumbrances exceed appropriations	No	Not corrected, issued as Finding 2005-006



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WYOMING CITY SCHOOL DISTRICT

HAMILTON 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
DECEMBER 14, 2006**