

**ST. BERNARD-ELMWOOD PLACE  
CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2006

With

Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Education  
St. Bernard-Elmwood Place City School District  
105 Washington Avenue  
St. Bernard, Ohio 45217

We have reviewed the *Independent Auditors' Report* of the St. Bernard-Elmwood Place City School District, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 6, 2007

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**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
St. Bernard-Elmwood Place City School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Bernard-Elmwood Place City School District (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Bernard-Elmwood Place City School District as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and 39 through 41, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
December 1, 2006

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2006**  
(Unaudited)

The discussion and analysis of St. Bernard-Elmwood Place City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. 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 basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities increased \$439,856 which represents a 15% increase from 2005.
- General revenues accounted for \$11,096,740 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,180,693 or 22% of total revenues of \$14,277,433.
- The District had \$13,937,577 in expenses related to governmental activities; \$3,180,693 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,096,740 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 *Statement 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 is the major fund of the District.

**Government-wide Financial Statements**

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 2006?" 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

### **Fund Financial Statements**

The analysis of the District's major fund is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major fund. 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.

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

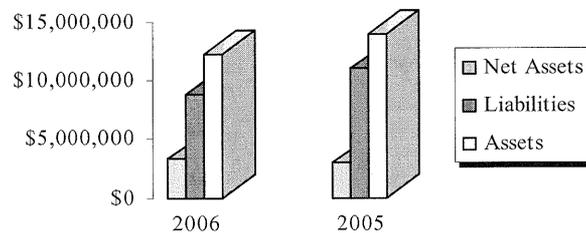
## The District as a Whole

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 2006 compared to 2005:

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current Assets	\$8,549,171	\$10,632,837
Capital Assets	3,692,668	3,331,658
<b>Total Assets</b>	<b>12,241,839</b>	<b>13,964,495</b>
<b>Liabilities</b>		
Long-Term Liabilities	2,772,347	2,865,722
Other Liabilities	6,079,332	8,148,469
<b>Total Liabilities</b>	<b>8,851,679</b>	<b>11,014,191</b>
<b>Net Assets</b>		
<b>Invested in Capital</b>		
Assets Net of Debt	2,061,668	1,566,658
Restricted	383,534	716,016
Unrestricted	944,958	667,630
<b>Total Net Assets</b>	<b>\$3,390,160</b>	<b>\$2,950,304</b>



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$3,390,160.

At year-end, capital assets represented 30% 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, 2006, was \$2,061,668. 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, \$383,534, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use. The portion of the District's net assets that is not restricted was \$944,958.

Current assets decreased from the prior year due primarily to the decrease in taxes receivable (the decrease in personal property tax to be received). Capital assets increased due to the completion of building improvement projects (HVAC improvements) within the District. Long-term liabilities decreased due to the District making regularly scheduled debt service payments on the OASBO lease. Other liabilities decreased from the prior year mainly due to a decrease in the amount of deferred revenue. The decrease in deferred revenue was caused by a decrease in taxes receivable and an increase in taxes available for advance.

Table 2 shows the change in net assets for fiscal year 2006 with comparisons to 2005.

Table 2  
Changes in Net Assets

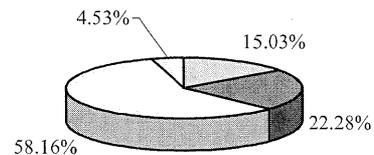
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	\$263,990	\$301,813
Operating Grants	2,916,703	2,419,657
Capital Grants	0	12,285
General Revenue:		
Property Taxes	8,303,185	7,996,064
Grants and Entitlements	2,146,097	1,810,457
Other	647,458	209,164
Total Revenues	<u>14,277,433</u>	<u>12,749,440</u>
Program Expenses:		
Instruction	6,659,868	7,193,668
Support Services:		
Pupil and Instructional Staff	2,820,163	2,261,249
General and School Administrative, Fiscal and Business	1,432,875	1,414,542
Operations and Maintenance	1,058,960	1,275,643
Pupil Transportation	341,846	358,753
Central	202,117	178,103
Operation of Non-Instructional Services	1,022,537	1,177,942
Extracurricular Activities	207,969	229,623
Interest and Fiscal Charges	91,242	107,236
Total Expenses	<u>13,837,577</u>	<u>14,196,759</u>
Change in Net Assets	439,856	(1,447,319)
Beginning Net Assets	<u>2,950,304</u>	<u>4,397,623</u>
Ending Net Assets	<u>\$3,390,160</u>	<u>\$2,950,304</u>

Of the total governmental activities revenues of \$14,277,433, \$3,180,693 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$8,303,185 (75%) comes from property tax levies and \$2,146,097 (19%) is from state funding. This District's operations are reliant upon its property tax levy and the state's foundation program.

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 do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service.

Revenue Sources	2006	Percent of Total
General Grants	\$2,146,097	15.03%
Program Revenues	3,180,693	22.28%
General Tax Revenues	8,303,185	58.16%
Other Revenues	647,458	4.53%
	<u>\$14,277,433</u>	<u>100.00%</u>



Instruction comprises 48% of governmental program expenses. Support services expenses were 42% of governmental program expenses. All other expenses including interest expense were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating grants increased due to the District receiving additional grant monies in 2006 compared to 2005. Property taxes increased primarily due to an increase in amounts available for advance, when compared to prior year. Investment earnings and other revenue increased as a result of the District holding a larger balance of investments and rate increases for the current year as compared to the prior year. Instruction expense decreased due to a reduction in staff members in 2006 compared to 2005 along with a decrease in textbook purchases in 2006 compared to 2005.

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental 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	
	2006	2005	2006	2005
Instruction	\$6,659,868	\$7,193,668	(\$5,911,585)	(\$6,565,237)
Support Services:				
Pupil and Instructional Staff	2,820,163	2,261,249	(1,973,916)	(1,506,751)
General and School Administrative, Fiscal and Business	1,432,875	1,414,542	(1,287,313)	(1,268,337)
Operations and Maintenance	1,058,960	1,275,643	(1,046,170)	(1,245,380)
Pupil Transportation	341,846	358,753	(339,833)	(339,521)
Central	202,117	178,103	(149,052)	(152,246)
Operation of Non-Instructional Services	1,022,537	1,177,942	309,867	(94,316)
Extracurricular Activities	207,969	229,623	(167,640)	(183,980)
Interest and Fiscal Charges	91,242	107,236	(91,242)	(107,236)
Total Expenses	<u>\$13,837,577</u>	<u>\$14,196,759</u>	<u>(\$10,656,884)</u>	<u>(\$11,463,004)</u>

## The District's Major Fund

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$7,732,925 (88%) of the total \$8,826,694 governmental funds assets.

**General Fund:** Fund balance at June 30, 2006 was \$1,391,154. The fund balance remains relatively consistent for 2006 compared to 2005.

## 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.

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, final budgeted revenue was \$10,772,508, compared to original budgeted estimated revenue of \$10,231,624. Of this \$540,884 difference, most was due to underestimating tax and intergovernmental revenues in the original budget.

The District's ending unobligated cash balance for the General Fund was \$58,622 above the final budgeted amount.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of fiscal 2006, the District had \$3,692,668 invested in land, buildings, and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

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

	Governmental Activities	
	2006	2005
Land	\$306,322	\$306,322
Construction in Progress	0	1,323,750
Buildings and Improvements	3,137,553	1,394,677
Equipment	248,793	306,909
Total Net Capital Assets	<u>\$3,692,668</u>	<u>\$3,331,658</u>

The increase in capital assets is due to the completion of building improvement projects (HVAC improvements) in the District.

See the note 6 to the basic financial statements for further details on the District's capital assets.

### *Debt*

The District had no debt as of June 30, 2006.

### **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.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations, or if the State of Ohio will comply with the decision.

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.

HB66 will cause the district to lose over \$4,000,000 in local personal property tax revenue. During the fiscal years 2006 through 2010 the District will be reimbursed for a portion of this lost revenue from the state based on the Districts fiscal year 2004 personal property tax collections. However, this reimbursement will not replace the anticipated tax revenues the District was expecting in fiscal years 2006 through 2010. For fiscal years 2011 through 2017 the reimbursement will be phased out completely. After fiscal year 2017, the District will only received an increase in the foundation amount received from the state due to any decrease in valuation. In anticipation of the tax revenue loss the District has reduced the fiscal year 2006 budget by approximately \$400,000 and reduced the budget by another \$450,000 for fiscal year 2007. The District will have further budget reductions for fiscal year 2008 through 2017 as needed. In May 2006 the District passed an emergency levy, in the amount of \$1,105,332 for collections in fiscal year 2007.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

### **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 Michael Mays, Treasurer at St. Bernard-Elmwood Place City School District, 105 Washington Avenue, St. Bernard, Ohio 45217. Or E-mail at [mmays@sbepschools.org](mailto:mmays@sbepschools.org).

St. Bernard-Elmwood Place City School District  
Statement of Net Assets  
June 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$1,672,438
Investment with Fiscal Agent	121,579
Receivables:	
Taxes	6,600,753
Accounts	19,787
Intergovernmental	131,033
Inventory	3,581
Nondepreciable Capital Assets	306,322
Depreciable Capital Assets, Net	<u>3,386,346</u>
 Total Assets	 <u>12,241,839</u>
Liabilities:	
Accounts Payable	133,634
Accrued Wages and Benefits	1,027,738
Unearned Revenue	4,917,960
Long-Term Liabilities:	
Due Within One Year	243,681
Due In More Than One Year	<u>2,528,666</u>
 Total Liabilities	 <u>8,851,679</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,061,668
Restricted for:	
Special Revenue	289,645
Capital Projects	93,889
Unrestricted	<u>944,958</u>
 Total Net Assets	 <u>\$3,390,160</u>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$5,804,975	\$18,528	\$652,860	(\$5,133,587)
Special	850,281	0	76,895	(773,386)
Other	4,612	0	0	(4,612)
Support Services:				
Pupil	1,264,125	21,500	339,700	(902,925)
Instructional Staff	1,556,038	1	485,046	(1,070,991)
General Administration	21,141	0	0	(21,141)
School Administration	1,129,180	0	145,562	(983,618)
Fiscal	268,518	0	0	(268,518)
Business	14,036	0	0	(14,036)
Operations and Maintenance	1,058,960	12,365	425	(1,046,170)
Pupil Transportation	341,846	742	1,271	(339,833)
Central	202,117	112	52,953	(149,052)
Operation of Non-Instructional Services	1,022,537	170,413	1,161,991	309,867
Extracurricular Activities	207,969	40,329	0	(167,640)
Interest and Fiscal Charges	91,242	0	0	(91,242)
<b>Total Governmental Activities</b>	<b>13,837,577</b>	<b>263,990</b>	<b>2,916,703</b>	<b>(10,656,884)</b>

General Revenues:

Property Taxes Levied for:

General Purposes	8,303,185
Grants and Entitlements not Restricted to Specific Programs	2,146,097
Unrestricted Contributions	2,075
Investment Earnings	106,854
Refunds and Reimbursements	22,032
Other Revenues	516,497

Total General Revenues 11,096,740

Change in Net Assets 439,856

Net Assets Beginning of Year 2,950,304

Net Assets End of Year \$3,390,160

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$836,317	\$836,121	\$1,672,438
Investment with Fiscal Agent	0	121,579	121,579
<b>Receivables:</b>			
Taxes	6,600,753	0	6,600,753
Accounts	18,332	1,455	19,787
Intergovernmental	0	131,033	131,033
Interfund	277,523	0	277,523
Inventory	0	3,581	3,581
<b>Total Assets</b>	<b>7,732,925</b>	<b>1,093,769</b>	<b>8,826,694</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	91,781	41,853	133,634
Accrued Wages and Benefits	936,099	91,639	1,027,738
Compensated Absences	133,138	0	133,138
Interfund Payable	0	277,523	277,523
Deferred Revenue	5,180,753	4,835	5,185,588
<b>Total Liabilities</b>	<b>6,341,771</b>	<b>415,850</b>	<b>6,757,621</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	0	39,415	39,415
Reserved for Inventory	0	3,581	3,581
Reserved for Property Tax Advances	1,420,000	0	1,420,000
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	(28,846)	0	(28,846)
Special Revenue Funds	0	616,720	616,720
Debt Service Funds	0	(75,686)	(75,686)
Capital Projects Funds	0	93,889	93,889
<b>Total Fund Balances</b>	<b>1,391,154</b>	<b>677,919</b>	<b>2,069,073</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,732,925</b>	<b>\$1,093,769</b>	<b>\$8,826,694</b>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2006

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Total Governmental Fund Balance		\$2,069,073
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.		3,692,668
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	262,793	
Intergovernmental	<u>4,835</u>	
		267,628
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>(1,008,209)</u>	
		(1,008,209)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,631,000)</u>
Net Assets of Governmental Activities		<u><u>\$3,390,160</u></u>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$8,266,232	\$0	\$8,266,232
Tuition and Fees	19,270	0	19,270
Investment Earnings	106,854	0	106,854
Intergovernmental	2,210,366	2,847,599	5,057,965
Extracurricular Activities	0	61,947	61,947
Charges for Services	0	170,413	170,413
Other Revenues	484,649	68,314	552,963
<b>Total Revenues</b>	<b>11,087,371</b>	<b>3,148,273</b>	<b>14,235,644</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	5,419,802	326,410	5,746,212
Special	773,501	61,238	834,739
Other	0	4,612	4,612
<b>Support Services:</b>			
Pupil	907,262	355,761	1,263,023
Instructional Staff	720,117	822,398	1,542,515
General Administration	21,141	0	21,141
School Administration	905,802	192,807	1,098,609
Fiscal	266,595	0	266,595
Business	0	14,036	14,036
Operations and Maintenance	1,132,770	57,212	1,189,982
Pupil Transportation	313,975	275	314,250
Central	116,484	65,805	182,289
Operation of Non-Instructional Services	0	1,021,884	1,021,884
Extracurricular Activities	162,498	45,471	207,969
Capital Outlay	0	436,250	436,250
<b>Debt Service:</b>			
Principal Retirement	0	134,000	134,000
Interest and Fiscal Charges	0	126,027	126,027
<b>Total Expenditures</b>	<b>10,739,947</b>	<b>3,664,186</b>	<b>14,404,133</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>347,424</b>	<b>(515,913)</b>	<b>(168,489)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	306,426	306,426
Transfers (Out)	(306,426)	0	(306,426)
<b>Total Other Financing Sources (Uses)</b>	<b>(306,426)</b>	<b>306,426</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>40,998</b>	<b>(209,487)</b>	<b>(168,489)</b>
<b>Fund Balance Beginning of Year</b>	<b>1,350,156</b>	<b>887,406</b>	<b>2,237,562</b>
<b>Fund Balance End of Year</b>	<b>\$1,391,154</b>	<b>\$677,919</b>	<b>\$2,069,073</b>

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place 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, 2006

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Net Change in Fund Balance - Total Governmental Funds (\$168,489)

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	575,392	
Depreciation Expense	<u>(214,382)</u>	361,010

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

Delinquent Property Taxes	36,954	
Intergovernmental	<u>4,835</u>	41,789

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 134,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 34,785

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>36,761</u>	36,761
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Change in Net Assets of Governmental Activities	<u><u>\$439,856</u></u>
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See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$76,528	\$10,282
Receivables:		
Accounts	51	17
Total Assets	<u>76,579</u>	<u>\$10,299</u>
Liabilities:		
Accounts Payable	51	2,009
Other Liabilities	0	8,290
Total Liabilities	<u>51</u>	<u>\$10,299</u>
Net Assets:		
Held in Trust	<u>76,528</u>	
Total Net Assets	<u>\$76,528</u>	

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2006

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	Private Purpose Trust
Additions:	
Donations	<u>\$22,405</u>
Total Additions	<u>22,405</u>
Deductions:	
Scholarships	<u>9,769</u>
Total Deductions	<u>9,769</u>
Change in Net Assets	12,636
Net Assets Beginning of Year	<u>63,892</u>
Net Assets End of Year	<u><u>\$76,528</u></u>

See accompanying notes to the basic financial statements.

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2006**

**1. DESCRIPTION OF THE DISTRICT**

The St. Bernard-Elmwood Place City School District (the District) was chartered by the Ohio State Legislature in 1968. Prior to 1968, Elmwood Place and St. Bernard were separate school districts. 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 five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies.

The District is the fifth smallest in Hamilton County in terms of enrollment. It currently operates two elementary schools (grades preschool-6 and grades K-6), and one junior/senior high school (grades 7-12).

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board (GASB) Statement 14, the reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

**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.

## **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.

## **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 is the District's major governmental fund:

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.

## **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 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's has a student activity Agency fund which accounts for assets and liabilities generated by student managed activities. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

## **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 accrual 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.

#### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

#### 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, 2006, but which were levied to finance fiscal year 2007 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.

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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2006 amounted to \$106,854.

## **INVENTORY**

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

## **CAPITAL ASSETS**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). 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.

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>
Buildings and Improvements	10-50 years
Equipment	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 are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	1.75-2.25 days per month	10-21 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	Must use annually	Must use annually
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	260 days	Number of days in contract -- 275	Number of days in contract -- 215-260
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

## **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.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

## **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, inventory, and property tax advances. 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.

## **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **INVESTMENT WITH FISCAL AGENT**

Investment with Fiscal Agent in the permanent improvement fund represent equity in pooled cash and investments set aside for OASBO capital lease.

### 3. 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 financial statements 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, 2006, \$1,618,036 of the District's bank balance of \$1,818,036 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, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$121,579	0.00
STAR Ohio	282,041	0.00
Total Fair Value	<u>\$403,620</u>	
Portfolio Weighted Average Maturity		0.00

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in Money Market Funds were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAROhio were rated AAAM by Standards & Poor’s.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested only in STAR Ohio and Money Market Funds.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

## 4. PROPERTY TAXES

Real property taxes collected in 2006 were levied in April on the assessed values as of January 1, 2005, 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 every 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). In 2006, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2006, 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, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006. 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, 2006, was \$1,420,000 for General Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 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 2006 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$105,856,290
Public Utility Personal	9,475,970
Tangible Personal Property	<u>95,193,000</u>
Total	<u>\$210,525,260</u>

## 5. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. 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.

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$306,322	\$0	\$0	\$306,322
Construction in Progress	1,323,750	436,250	1,760,000	0
Total Capital Assets, not being depreciated	1,630,072	436,250	1,760,000	306,322
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,071,057	1,886,857	0	7,957,914
Equipment	878,598	12,285	0	890,883
<i>Total Capital Assets, being depreciated:</i>	6,949,655	1,899,142	0	8,848,797
Totals at Historical Cost	<u>8,579,727</u>	<u>2,335,392</u>	<u>1,760,000</u>	<u>9,155,119</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,676,031	144,330	0	4,820,361
Equipment	572,038	70,052	0	642,090
Total Accumulated Depreciation	<u>5,248,069</u>	<u>214,382</u>	<u>0</u>	<u>5,462,451</u>
Governmental Activities Capital Assets, Net	<u>\$3,331,658</u>	<u>\$2,121,010</u>	<u>\$1,760,000</u>	<u>\$3,692,668</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$126,619
Special		14,266
Support Services:		
Instructional Staff		3,213
School Administration		12,389
Operations and Maintenance		12,125
Pupil Transportation		24,734
Central		17,131
Operation of Non-Instructional Services		3,905
Total Depreciation Expense		<u>\$214,382</u>

## 7. LONG-TERM LIABILITIES

	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>					
Capital Lease	\$1,765,000	\$0	\$134,000	\$1,631,000	\$47,000
Compensated Absences	<u>1,100,722</u>	<u>149,397</u>	<u>108,772</u>	<u>1,141,347</u>	<u>196,681</u>
Total Governmental Activities	<u>\$2,865,722</u>	<u>\$149,397</u>	<u>\$242,772</u>	<u>\$2,772,347</u>	<u>\$243,681</u>

The capital lease will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

## 8. CAPITAL LEASES – LESSEE DISCLOSURE

The capital lease proceeds were recorded in the Permanent Improvement Fund relates to the installation of an HVAC system in the School District. The School District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned National City Bank as trustee. National City Bank deposited \$1,808,000 in the School District's name with a fiscal agent for the construction of the project. This amount is reported as Investment with Fiscal Agent on the Statement of Net Assets. Amounts will be paid to contractors by the School District as the work progresses. The School District will then submit invoices to the agent for reimbursement. The School District made an interest payment to National City Bank. The lease is renewable annually and expires in 2019. The intention of the School District is to renew the lease annually.

At fiscal year-end, project construction was completed. The School District began in fiscal year 2005. The District made \$134,000 in principal payments for fiscal year 2006. The principal amount owed on the lease at year end is \$1,631,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 4.73% plus an annual administrative fee. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

Fiscal Year <u>Ending June 30,</u>	Long-Term <u>Debt</u>
2007	\$86,796
2008	174,128
2009	171,322
2010	172,368
2011	171,147
2012-2016	851,794
2017-2020	<u>590,688</u>
Total Minimum Lease Payments	2,218,243
Less: Amount Representing Interest (4.73%)	(569,135)
Less: Additional Program Cost Component	<u>(18,108)</u>
Present Value of Minimum Lease Payments	<u>\$1,631,000</u>

## **9. 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.

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. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$400,219, \$390,729, and \$325,832, respectively; 92% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

### **STATE TEACHERS RETIREMENT SYSTEM**

The 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, 2006, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%. 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, 2006, 2005, and 2004 were \$1,565,165, \$1,479,390, and \$1,322,704, respectively; 92% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

## **10. 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, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$111,798 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (latest information available), the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (latest information available), net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll. For the District, this amount equaled \$98,054 for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (latest information available), were \$178,221,113. At June 30, 2005 (latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

## **11. 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, 2006.

### **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.

## 12. JOINTLY GOVERNED ORGANIZATIONS

**The Hamilton/Clermont Cooperative Association (H/CCA)** is a jointly governed organization consisting of 31 school districts. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. Each of the governments of these schools supports H/CCA and shares in a percentage of the equity based on the resources provided. H/CCA is governed by a board of directors consisting of the superintendents or designees of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained by writing to Hamilton/Clermont Cooperative Association, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**The Great Oaks Institute of Technology and Career Development**, a jointly governed organization, is a district political subdivision of the State of Ohio which operates under the direction of a board consisting of a representative from each participating school district's elected board. That board possesses its own budgeting and taxing authority. The Institute of Technology and Career Development provides academic preparation and job training which lead to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 East Kemper Road, Cincinnati, Ohio 45241-1581.

## 13. OSBA GROUP RATING PROGRAM

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the 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's individual performance is compared to the overall savings percentage of the GRP. A 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 GatesMcDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

#### 14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District carries insurance coverage with the following companies:

<u>Coverage</u>	<u>Company</u>
Automobile	Ohio School Plan
Property	Ohio School Plan
General Liability	Ohio School Plan

Limits and deductible amounts for the above policies vary accordingly.

<u>Coverage</u>	<u>Limits</u>	<u>Deductibles</u>
Automobile	\$2,000,000 each occurrence	\$250 collision
Property	Covered for value of loss	\$1,000 each loss
General Liability	\$2,000,000 each occurrence \$4,000,000 general aggregate	

The District pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three years.

The District participates in the Greater Cincinnati Insurance Consortium, an insurance purchasing pool. The District can obtain better coverage and/or lower premiums by purchasing health, dental, and life insurance benefits through the pool.

#### 15. COMPLIANCE AND ACCOUNTABILITY

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Student Activity	\$4,059
Public Preschool	5,853
SchoolNet Professional Development	3,817
Vocational Education Enhancement	951
Poverty Aid	27,489
Miscellaneous State Grants	5,597
Vocational Education	1,469
Title I	3,411
Drug-Free Schools	519
Uniform School Supply	1,780
Debt Service	75,686

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**16. 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, 2005	(\$248,094)	\$0
Current Year Set-aside Requirement	156,579	156,579
Qualified Disbursements	(160,068)	(149,595)
Current Year Offsets	<u>0</u>	<u>(1,759,933)</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>(\$251,583)</u>	<u>\$ 0</u>
Restricted Cash as of June 30, 2006	<u>\$ 0</u>	<u>\$ 0</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements and current year offset for capital maintenance reserve during the year exceeded the required set-aside and reserve balance. Qualifying disbursements for textbook reserve during the year were \$160,068, which exceeded the required set aside and \$251,583 may be carried forward to use in future years.

**17. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2006, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$277,523	\$0	\$0	\$306,426
Other Governmental Funds	<u>0</u>	<u>277,523</u>	<u>306,426</u>	<u>0</u>
Total all funds	<u>\$277,523</u>	<u>\$277,523</u>	<u>\$306,426</u>	<u>\$306,426</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

## **18. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

St. Bernard-Elmwood Place 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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$7,569,759	\$7,969,926	\$7,976,232	\$6,306
Tuition and Fees	18,089	19,045	19,060	15
Investment Earnings	101,409	106,770	106,854	84
Intergovernmental	2,097,725	2,208,619	2,210,366	1,747
Other Revenues	444,642	468,148	468,518	370
<b>Total Revenues</b>	<b>10,231,624</b>	<b>10,772,508</b>	<b>10,781,030</b>	<b>8,522</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	5,168,891	5,472,632	5,448,817	23,815
Special	752,996	797,244	793,775	3,469
<b>Support Services:</b>				
Pupil	874,330	925,708	921,680	4,028
Instructional Staff	720,699	763,049	759,729	3,320
General Administration	20,019	21,195	21,103	92
School Administration	863,170	913,893	909,916	3,977
Fiscal	251,498	266,277	265,118	1,159
Operations and Maintenance	1,097,607	1,162,106	1,157,049	5,057
Pupil Transportation	299,727	317,340	315,959	1,381
Central	111,312	117,853	117,340	513
Extracurricular Activities	155,654	164,801	164,084	717
<b>Total Expenditures</b>	<b>10,315,903</b>	<b>10,922,098</b>	<b>10,874,570</b>	<b>47,528</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(84,279)</b>	<b>(149,590)</b>	<b>(93,540)</b>	<b>56,050</b>
<b>Other financing sources (uses):</b>				
Advances In	129,341	136,178	136,286	108
Advances (Out)	(244,219)	(258,570)	(257,445)	1,125
Transfers (Out)	(290,684)	(307,765)	(306,426)	1,339
<b>Total Other Financing Sources (Uses)</b>	<b>(405,562)</b>	<b>(430,157)</b>	<b>(427,585)</b>	<b>2,572</b>
<b>Net Change in Fund Balance</b>	<b>(489,841)</b>	<b>(579,747)</b>	<b>(521,125)</b>	<b>58,622</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>1,327,497</b>	<b>1,327,497</b>	<b>1,327,497</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$837,656</b>	<b>\$747,750</b>	<b>\$806,372</b>	<b>\$58,622</b>

See accompanying notes to the required supplementary information.

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2006**

**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 the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 2006.

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 the 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	\$40,998
Net Adjustment for Revenue Accruals	(170,055)
Net Adjustment for Expenditure Accruals	(362,142)
Encumbrances	<u>(29,926)</u>
Budget Basis	<u>(\$521,125)</u>

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>(Passed through Ohio Department of Education)</i>				
Food Donation	n/a	10.550	\$ 20,928	20,928
Nutrition Cluster:				
School Breakfast Program	05PU	10.553	49,578	49,578
National School Lunch Program	LLP4	10.555	<u>218,984</u>	<u>218,984</u>
Total Nutrition Cluster			<u>268,562</u>	<u>268,562</u>
Total U.S. Department of Agriculture			<u>268,562</u>	<u>268,562</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	181,973	204,135
Special Education - Grants to States	6BSF	84.027	561,571	534,552
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	7,837	4,118
Twenty-First Century Community Learning Centers	T1S1	84.287	286,250	308,449
Innovative Education Program Strategies	C2S1	84.298	9,964	7,855
Education Technology State Grants	TJS1	84.318	8,059	5,274
Improving Teacher Quality State Grants	TRS1	84.367	49,239	61,283
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Vocational Education - Basic Grants to States	n/a	84.048	<u>-</u>	<u>4,058</u>
Total U.S. Department of Education			<u>1,104,893</u>	<u>1,129,724</u>
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
State Children's Insurance Program	n/a	93.767	131	131
Medical Assistance Program	n/a	93.778	<u>21,783</u>	<u>21,783</u>
Total U.S. Department of Health & Human Services			<u>21,914</u>	<u>21,914</u>
Total Federal Awards			\$ <u>1,395,369</u>	<u>1,441,128</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - NUTRITION CLUSTER**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

To the Board of Education  
St. Bernard-Elmwood Place City School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Bernard-Elmwood Place City School District (the School District) as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

## Compliance And Other Matters

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

We noted certain matters that we reported to management of the School District in a separate letter dated December 1, 2006.

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 1, 2006



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

To the Board of Education  
St. Bernard-Elmwood Place City School District:

Compliance

We have audited the compliance of St. Bernard-Elmwood Place City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## Internal Control Over Compliance

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

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

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 1, 2006

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	no
• Reportable condition(s) identified that are not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	no
• Reportable condition(s) identified not considered to be material weaknesses?	no
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of major programs:

*CFDA 84.027 – Special Education - Grants to States*

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**

Schedule of Prior Audit Findings

Year Ended June 30, 2006

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over compliance for major federal programs were reported in the prior year.



**Mary Taylor, CPA**  
Auditor of State

**ST. BERNARD-ELMWOOD PLACE 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  
FEBRUARY 22, 2007**