

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

Basic Financial Statements

Year Ended June 30, 2005

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
St. Bernard-Elmwood Place City School District
105 Washington Ave.
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, 2004 through June 30, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 5, 2006

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ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT, OHIO

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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, Ohio:

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, Ohio (the School District), as of and for the year ended June 30, 2005, 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 School District as of June 30, 2005, 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.

As described in Note 18, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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, Hachett & Co.

Cincinnati, Ohio
January 20, 2006

ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
(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, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$1,447,319 which represents a 33% decrease from 2004.
- General revenues accounted for \$10,015,685 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,733,755 or 21% of total revenues of \$12,749,440.
- Total assets of governmental activities decreased by \$152,369 as taxes receivable decreased by \$536,131 and cash and other receivables decreased by \$800,490.
- The District had \$14,196,759 in expenses related to governmental activities; \$2,733,755 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,015,685 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 2005?” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

In the 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.

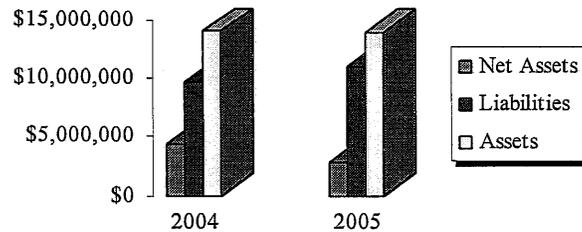
The District as a Whole

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 2004 compared to 2005:

Table 1
Net Assets

	Governmental Activities	
	2004	2005
Assets		
Current Assets	\$11,970,453	\$10,632,837
Capital Assets	2,146,411	3,331,658
Total Assets	14,116,864	13,964,495
Liabilities		
Long-Term Liabilities	1,170,413	2,865,722
Other Liabilities	8,548,828	8,148,469
Total Liabilities	9,719,241	11,014,191
Net Assets		
Invested in Capital		
Assets Net of Debt	2,046,411	1,566,658
Restricted	635,322	716,016
Unrestricted	1,715,890	667,630
Total Net Assets	\$4,397,623	\$2,950,304



Over time, assets can serve as a useful indicator of a government’s financial position. At June 30, 2005, the District’s assets exceeded liabilities by \$2,950,304.

At year-end, capital assets represented 24% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$1,566,658. 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, \$716,016, 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 \$667,630.

Table 2 shows the change in net assets for fiscal year 2005.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2005
Revenues		
Program Revenues:		
Charges for Services	\$283,096	\$301,813
Operating Grants	2,291,827	2,419,657
Capital Grants	2,519	12,285
General Revenue:		
Property Taxes	7,924,379	7,996,064
Grants and Entitlements	1,598,166	1,810,457
Other	208,118	209,164
Total Revenues	<u>12,308,105</u>	<u>12,749,440</u>
Program Expenses:		
Instruction	6,541,354	7,193,668
Support Services:		
Pupil and Instructional Staff	2,110,742	2,261,249
General and School Administrative, Fiscal and Business	1,681,818	1,414,542
Operations and Maintenance	1,190,930	1,275,643
Pupil Transportation	304,637	358,753
Central	217,578	178,103
Operation of Non-Instructional Services	1,027,665	1,177,942
Extracurricular Activities	234,159	229,623
Interest and Fiscal Charges	5,981	107,236
Total Expenses	<u>13,314,864</u>	<u>14,196,759</u>
Change in Net Assets	(1,006,759)	(1,447,319)
Beginning Net Assets	<u>5,404,382</u>	<u>4,397,623</u>
Ending Net Assets	<u>\$4,397,623</u>	<u>\$2,950,304</u>

Of the total governmental activities revenues of \$12,749,440, \$2,733,755 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, \$7,996,064 (80%) comes from property tax levies and \$1,810,457 (18%) is from state and federal funding. This District's operations are reliant upon its property tax levy and the state's foundation program.

Net assets decreased \$1,447,319, which was caused mainly by an increase in instructional, school and general administration expenditures (supplies, etc.) and pupil transportation expenditures (buses, etc.), while tax revenue (levies, etc) decreased approximately 2% from 2004.

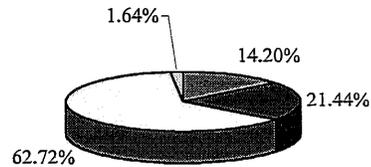
Governmental Activities

The District revenues are mainly from one source. Property taxes levied for general purposes comprised 62% of the District's revenues for governmental activities.

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

Thus Ohio districts 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	2005	Percent of Total
General Grants	\$1,810,457	14.20%
Program Revenues	2,733,755	21.44%
General Tax Revenues	7,996,064	62.72%
Other Revenues	209,164	1.64%
	<u>\$12,749,440</u>	<u>100.00%</u>



Instruction comprises 51% of governmental program expenses. Support services expenses were 38% of governmental program expenses. All other expenses including interest expense were 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2005	2004	2005
Instruction	\$6,541,354	\$7,193,668	(\$5,844,082)	(\$6,565,237)
Support Services:				
Pupil and Instructional Staff	2,110,742	2,261,249	(1,530,575)	(1,506,751)
General and School Administrative, Fiscal and Business	1,681,818	1,414,542	(1,585,755)	(1,268,337)
Operations and Maintenance	1,190,930	1,275,643	(1,180,791)	(1,245,380)
Pupil Transportation	304,637	358,753	(281,831)	(339,521)
Central	217,578	178,103	(180,538)	(152,246)
Operation of Non-Instructional Services	1,027,665	1,177,942	53,867	(94,316)
Extracurricular Activities	234,159	229,623	(181,736)	(183,980)
Interest and Fiscal Charges	5,981	107,236	(5,981)	(107,236)
Total Expenses	\$13,314,864	\$14,196,759	(\$10,737,422)	(\$11,463,004)

The District's Major Fund

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$9,473,617 (88%) of the total \$10,791,210 governmental funds assets.

General Fund: Fund balance at June 30, 2005 was \$1,350,156 including \$220,156 of unreserved balance. The primary reasons for the decrease in fund balance were decreases in taxes revenue and other revenues and an increase in instructional expense.

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 \$9,202,791, compared to original budgeted estimated revenue of \$9,183,140. Of this \$19,651 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 \$507,914 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$3,331,658 invested in land, construction in progress, buildings, and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

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

	Governmental Activities	
	2004	2005
Land	\$306,322	\$306,322
Construction in Progress	0	1,323,750
Buildings and Improvements	1,500,167	1,394,677
Equipment	339,922	306,909
Total Net Capital Assets	<u>\$2,146,411</u>	<u>\$3,331,658</u>

The increase in capital assets is due to building improvement projects in the District.

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

Debt

The District had no debt as of June 30, 2005.

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.

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.

St. Bernard-Elmwood Place City School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$2,137,924
Investment with Fiscal Agent	446,250
Receivables:	
Taxes	7,987,746
Accounts	869
Intergovernmental	56,535
Inventory	3,513
Nondepreciable Capital Assets	1,630,072
Depreciable Capital Assets, Net	1,701,586
Total Assets	13,964,495
Liabilities:	
Accounts Payable	221,386
Accrued Wages and Benefits	1,260,391
Accrued Interest Payable	34,785
Unearned Revenue	6,631,907
Long-Term Liabilities:	
Due Within One Year	196,772
Due In More Than One Year	2,668,950
Total Liabilities	11,014,191
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,566,658
Restricted for:	
Special Revenue	177,333
Capital Projects	538,683
Unrestricted	667,630
Total Net Assets	\$2,950,304

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, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$6,437,401	\$12,659	\$542,709	\$12,285	(\$5,869,748)
Special	756,267	0	60,778	0	(695,489)
Support Services:					
Pupil	1,009,334	29,943	266,830	0	(712,561)
Instructional Staff	1,251,915	0	457,725	0	(794,190)
General Administration	18,021	0	0	0	(18,021)
School Administration	942,933	0	146,205	0	(796,728)
Fiscal	453,588	0	0	0	(453,588)
Operations and Maintenance	1,275,643	24,494	5,769	0	(1,245,380)
Pupil Transportation	358,753	1,978	17,254	0	(339,521)
Central	178,103	5	25,852	0	(152,246)
Operation of Non-Instructional Services	1,177,942	187,091	896,535	0	(94,316)
Extracurricular Activities	229,623	45,643	0	0	(183,980)
Interest and Fiscal Charges	107,236	0	0	0	(107,236)
Totals	\$14,196,759	\$301,813	\$2,419,657	\$12,285	(\$11,463,004)

General Revenues:

Property Taxes Levied for:

General Purposes	7,996,064
Grants and Entitlements not Restricted to Specific Programs	1,810,457
Other Revenues	209,164

Total General Revenues 10,015,685

Change in Net Assets (1,447,319)

Net Assets Beginning of Year 4,397,623

Net Assets End of Year \$2,950,304

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
 Balance Sheet
 Governmental Funds
 June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,327,498	\$810,426	\$2,137,924
Investment with Fiscal Agent	0	446,250	446,250
Receivables:			
Taxes	7,987,746	0	7,987,746
Accounts	0	869	869
Intergovernmental	0	56,535	56,535
Interfund	158,373	0	158,373
Inventory	0	3,513	3,513
Total Assets	9,473,617	1,317,593	10,791,210
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	84,968	136,418	221,386
Accrued Wages and Benefits	1,124,995	135,396	1,260,391
Compensated Absences	55,752	0	55,752
Interfund Payable	0	158,373	158,373
Deferred Revenue	6,857,746	0	6,857,746
Total Liabilities	8,123,461	430,187	8,553,648
Fund Balances:			
Reserved for Encumbrances	0	84,577	84,577
Reserved for Inventory	0	3,513	3,513
Reserved for Property Tax Advances	1,130,000	0	1,130,000
Unreserved, Undesignated, Reported in:			
General Fund	220,156	0	220,156
Special Revenue Funds	0	336,318	336,318
Debt Service Funds	0	(75,685)	(75,685)
Capital Projects Funds	0	538,683	538,683
Total Fund Balances	1,350,156	887,406	2,237,562
Total Liabilities and Fund Balances	\$9,473,617	\$1,317,593	\$10,791,210

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, 2005

Total Governmental Fund Balance		\$2,237,562
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.		3,331,658
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	<u>225,839</u>	225,839
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(34,785)
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>(1,044,970)</u>	(1,044,970)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,765,000)</u>
Net Assets of Governmental Activities		<u><u>\$2,950,304</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, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$7,980,362	\$0	\$7,980,362
Tuition and Fees	14,136	0	14,136
Investment Earnings	39,632	0	39,632
Intergovernmental	1,857,076	2,441,742	4,298,818
Extracurricular Activities	0	76,101	76,101
Charges for Services	0	187,091	187,091
Other Revenues	59,446	78,152	137,598
Total Revenues	9,950,652	2,783,086	12,733,738
Expenditures:			
Current:			
Instruction:			
Regular	5,796,881	518,384	6,315,265
Special	687,068	53,485	740,553
Support Services:			
Pupil	686,739	320,644	1,007,383
Instructional Staff	841,740	429,898	1,271,638
General Administration	18,021	0	18,021
School Administration	833,573	114,530	948,103
Fiscal	454,374	0	454,374
Operations and Maintenance	1,126,682	138,487	1,265,169
Pupil Transportation	332,759	1,000	333,759
Central	70,086	118,984	189,070
Operation of Non-Instructional Services	0	1,172,699	1,172,699
Extracurricular Activities	151,475	78,148	229,623
Capital Outlay	0	1,323,750	1,323,750
Debt Service:			
Principal Retirement	0	143,000	143,000
Interest and Fiscal Charges	0	74,597	74,597
Total Expenditures	10,999,398	4,487,606	15,487,004
Excess of Revenues Over (Under) Expenditures	(1,048,746)	(1,704,520)	(2,753,266)
Other Financing Sources (Uses):			
Proceeds of Capital Leases	0	1,808,000	1,808,000
Transfers In	0	115,715	115,715
Transfers (Out)	(115,715)	0	(115,715)
Total Other Financing Sources (Uses)	(115,715)	1,923,715	1,808,000
Net Change in Fund Balance	(1,164,461)	219,195	(945,266)
Fund Balance Beginning of Year, Restated	2,514,617	668,211	3,182,828
Fund Balance End of Year	\$1,350,156	\$887,406	\$2,237,562

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, 2005

Net Change in Fund Balance - Total Governmental Funds (\$945,266)

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	1,384,027	
Depreciation Expense	<u>(198,780)</u>	1,185,247

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

Delinquent Property Taxes	<u>15,702</u>	
		15,702

Repayment of bond and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 143,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (32,639)

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>(5,363)</u>	
		(5,363)

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net assets. (1,808,000)

Change in Net Assets of Governmental Activities (\$1,447,319)

See accompanying notes to the basic financial statements.

St. Bernard-Elmwood Place City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$63,974	\$4,173
Total Assets	63,974	\$4,173
Liabilities:		
Accounts Payable	82	1,064
Other Liabilities	0	3,109
Total Liabilities	82	\$4,173
Net Assets:		
Held in Trust	63,892	
Total Net Assets	\$63,892	

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, 2005

	<u>Private Purpose Trust</u>
Additions:	
Donations	<u>\$48,386</u>
Total Additions	<u>48,386</u>
Deductions:	
Regular Instruction	100
Operation of Non-Instructional Services	14,408
Other	<u>350</u>
Total Deductions	<u>14,858</u>
Change in Net Assets	33,528
Net Assets Beginning of Year	<u>30,364</u>
Net Assets End of Year	<u><u>\$63,892</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, 2005

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 District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

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 actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

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

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, 2005, but which were levied to finance fiscal year 2006 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 2005. 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, 2005.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2005 amounted to \$39,632.

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	254 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.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities.

INTERFUND ASSETS/LIABILITIES

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.

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, 2005, \$1,743,186 of the District's bank balance of \$1,943,186 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
STAR Ohio	<u>\$341,349</u>	<u>0.00</u>
Total Fair Value	<u>\$341,349</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 STAROhio were rated AAA 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.

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. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

4. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update 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 2005, 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 2005, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$1,130,000 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 2005 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$77,441,140
Public Utility Personal	11,483,380
Tangible Personal Property	<u>151,290,830</u>
Total	<u>\$240,215,350</u>

5. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. 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, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$306,322	\$0	\$0	\$306,322
Construction in Progress	0	1,323,750	0	1,323,750
Total Capital Assets, not being depreciated	306,322	1,323,750	0	1,630,072
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,040,799	30,258	0	6,071,057
Equipment	848,579	30,019	0	878,598
Total Capital Assets, being depreciated:	6,889,378	60,277	0	6,949,655
Totals at Historical Cost	<u>7,195,700</u>	<u>1,384,027</u>	<u>0</u>	<u>8,579,727</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,540,632	135,748	0	4,676,380
Equipment	508,657	63,032	0	571,689
Total Accumulated Depreciation	<u>5,049,289</u>	<u>198,780</u>	<u>0</u>	<u>5,248,069</u>
Governmental Activities Capital Assets, Net	<u>\$2,146,411</u>	<u>\$1,185,247</u>	<u>\$0</u>	<u>\$3,331,658</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$115,389
Special	13,010
Support Services:	
Instructional Staff	5,753
School Administration	11,186
Operations and Maintenance	11,217
Pupil Transportation	24,734
Central	13,587
Operation of Non-Instructional Services	3,904
Total Depreciation Expense	<u>\$198,780</u>

7. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds:						
HB 264 School Facilities 1995 5.15%	7/21/05	\$100,000	\$ 0	\$100,000	\$ 0	\$ 0
Total General Obligation Bonds		100,000	0	100,000	0	0
Capital Lease		0	1,808,000	43,000	1,765,000	88,000
Total Long Term Debt		100,000	1,808,000	143,000	1,765,000	88,000
Compensated Absences		1,070,413	184,181	153,872	1,100,722	108,772
Total Governmental Activities Long-Term Liabilities		<u>\$1,170,413</u>	<u>\$1,992,891</u>	<u>\$296,872</u>	<u>\$2,865,722</u>	<u>\$196,772</u>

General obligation bonds and 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 underway. The School District began in fiscal year 2005. The District made \$43,000 in principal payments for fiscal year 2005. The principal amount owed on the lease at year end is \$1,765,000.

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, 2005.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2006	\$173,107
2007	173,715
2008	174,128
2009	171,321
2010	172,368
2011-2015	853,660
2016-2020	<u>759,970</u>
Total Minimum Lease Payments	2,478,269
Less: Amount Representing Interest (4.73%)	(691,290)
Less: Additional Program Cost Component	<u>(21,981)</u>
Present Value of Minimum Lease Payments	<u>\$1,765,000</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, 2005, 2004, and 2003 were \$390,729, \$325,832, and \$275,413 respectively; 84.8% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

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, 2005, 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, 2005, 2004, and 2003 were \$1,479,390, \$1,322,704 and \$1,227,439 respectively; 89.3% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

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, 2005, 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 \$105,671 for fiscal year 2005.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. For the District, this amount equaled \$95,729 for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, 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, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

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, 2005.

LITIGATION

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

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	\$10,915
Public Preschool	15,615
Disadvantaged Pupil Impact	58,705
Ohio Reads	6,794
Vocational Education Enhancement	332
Vocational Education	1,128
Drug-Free Schools	119
Uniform School Supply	1,779
Debt Service	75,685

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, 2004	\$0	\$5,259
Current Year Set-aside Requirement	161,181	161,181
Qualified Disbursements	(409,275)	(125,357)
Current Year Offsets	<u>0</u>	<u>(1,808,000)</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>(\$248,094)</u>	<u>\$ 0</u>
Restricted Cash as of June 30, 2005	<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 \$409,275, which exceeded the required set aside and \$248,094 may be carried forward to use in future years. Senate Bill 345 eliminated the Budget Stabilization Reserve.

17. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, 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	\$158,373	\$0	\$0	\$115,715
Other Governmental Funds	<u>0</u>	<u>158,373</u>	<u>115,715</u>	<u>0</u>
Total all funds	<u>\$158,373</u>	<u>\$158,373</u>	<u>\$115,715</u>	<u>\$115,715</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 fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

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

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

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$2,543,234	\$680,244
GASB Technical Bulletin No. 2004-2	<u>(28,617)</u>	<u>(12,033)</u>
Restated Fund Balance, June 30, 2004	<u>\$2,514,617</u>	<u>\$668,211</u>

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, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,312,361	\$7,328,009	\$7,702,660	\$374,651
Tuition and Fees	14,992	15,024	15,792	768
Investment Earnings	37,624	37,704	39,632	1,928
Intergovernmental	1,732,939	1,736,647	1,825,435	88,788
Other Revenues	85,224	85,407	89,773	4,366
Total Revenues	<u>9,183,140</u>	<u>9,202,791</u>	<u>9,673,292</u>	<u>470,501</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,523,766	5,721,175	5,720,567	608
Special	643,961	666,975	666,904	71
Support Services:				
Pupil	649,396	672,604	672,533	71
Instructional Staff	800,614	829,226	829,138	88
General Administration	17,401	18,023	18,021	2
School Administration	943,342	977,055	976,951	104
Fiscal	237,645	246,138	246,112	26
Operations and Maintenance	1,065,845	1,103,936	1,103,819	117
Pupil Transportation	308,393	319,414	319,380	34
Central	60,327	62,483	62,476	7
Extracurricular Activities	144,734	149,907	149,891	16
Total Expenditures	<u>10,395,424</u>	<u>10,766,936</u>	<u>10,765,792</u>	<u>1,144</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,212,284)</u>	<u>(1,564,145)</u>	<u>(1,092,500)</u>	<u>471,645</u>
Other financing sources (uses):				
Advances In	707,029	708,542	744,767	36,225
Advances (Out)	(294,030)	(304,538)	(304,506)	32
Transfers (Out)	(111,734)	(115,727)	(115,715)	12
Total Other Financing Sources (Uses)	<u>301,265</u>	<u>288,277</u>	<u>324,546</u>	<u>36,269</u>
Net Change in Fund Balance	(911,019)	(1,275,868)	(767,954)	507,914
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>2,039,712</u>	<u>2,039,712</u>	<u>2,039,712</u>	<u>0</u>
Fund Balance End of Year	<u>\$1,128,693</u>	<u>\$763,844</u>	<u>\$1,271,758</u>	<u>\$507,914</u>

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, 2005

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is 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 2005.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by 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	(\$1,164,461)
Net Adjustment for Revenue Accruals	467,407
Net Adjustment for Expenditure Accruals	(20,907)
Encumbrances	<u>(49,993)</u>
Budget Basis	<u>(\$767,954)</u>

ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT, OHIO

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

<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>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
Food Donation	n/a	10.550	\$ 20,793	20,793
School Breakfast Program	05PU	10.553	43,648	43,648
National School Lunch Program	LLP4	10.555	<u>206,386</u>	<u>206,386</u>
Total Nutrition Cluster			<u>270,827</u>	<u>270,827</u>
Total U.S. Department of Agriculture			<u>270,827</u>	<u>270,827</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	193,178	192,515
Special Education - Grants to States	6BSF	84.027	385,846	338,796
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	2,369	4,407
Twenty-First Century Community Learning Centers	T1S1	84.287	413,000	374,932
Innovative Education Program Strategies	C2S1	84.298	4,069	15,288
Education Technology State Grants	TJS1	84.318	1,797	6,936
Improving Teacher Quality State Grants	TRS1	84.367	20,537	62,120
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Vocational Education - Basic Grants to States	n/a	84.048	<u>1,458</u>	<u>3,078</u>
Total U.S. Department of Education			<u>1,022,254</u>	<u>998,072</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
State Children's Insurance Program	n/a	93.767	1,737	1,737
Medical Assistance Program	n/a	93.778	<u>29,904</u>	<u>29,904</u>
Total U.S. Department of Health & Human Services			<u>31,641</u>	<u>31,641</u>
Total Federal Awards			\$ <u>1,324,722</u>	<u>1,300,540</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, Ohio:

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, Ohio (the School District) as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 20, 2006 wherein we noted that the School District implemented Governmental Accounting Standards Board Statement No. 40 as well as Governmental Accounting Standards Board Technical Bulletin No. 2004-2. 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 January 20, 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, Haskett & Co.

Cincinnati, Ohio
January 20, 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, Ohio:

Compliance

We have audited the compliance of St. Bernard-Elmwood Place City School District, Ohio (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, 2005. 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, 2005.

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
January 20, 2006

ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT, OHIO

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

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, OHIO

Schedule of Prior Audit Findings

Year Ended June 30, 2005

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.



**Auditor of State
Betty Montgomery**

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**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
APRIL 17, 2006**