



Mary Taylor, CPA
Auditor of State

**WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report December 21, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

December 21, 2007

**WYOMING CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2006
(Unaudited)**

The discussion and analysis of Wyoming City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$2,337,530.
- General revenues accounted for \$23,197,469 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,132,840 or 8% of total revenues of \$25,330,309.
- The District had \$22,992,779 in expenses related to governmental activities; \$2,132,840 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,197,469 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

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

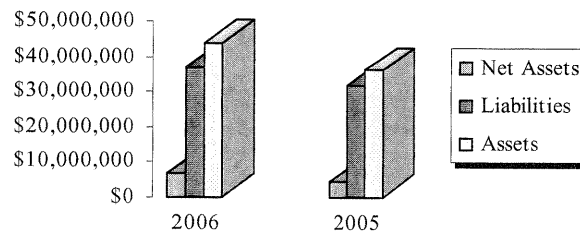
The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2006 compared to 2005:

Table 1
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current Assets	\$19,754,768	\$13,214,984
Capital Assets	23,992,827	22,950,420
Total Assets	43,747,595	36,165,404
Liabilities		
Long-Term Liabilities	27,014,705	24,832,126
Other Liabilities	10,153,666	7,091,584
Total Liabilities	37,168,371	31,923,710
Net Assets		
Invested in Capital		
Assets Net of Debt	(1,409,785)	109,774
Restricted	2,603,211	1,696,108
Unrestricted	5,385,798	2,435,812
Total Net Assets	\$6,579,224	\$4,241,694



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$6,579,224.

At year-end, capital assets represented 55% 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, 2006, was (\$1,409,785). 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, \$2,603,211, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$5,385,798 may be used to meet the District's ongoing obligations to the students and creditors.

Current and other assets increased in 2006 compared to 2005 mainly due to the increases in taxes receivable. Capital Assets increased due to the construction related to athletic field improvements. Long term liabilities increased and invested in capital assets net of related debt decreased due to the advance refunding of the 1998 school improvement bonds. Other liabilities increased mainly due to the increase in unearned revenue which was largely due to the county's calculation of taxes available for advance.

Table 2 shows the change in net assets for fiscal year 2006 compared to 2005:

Table 2
Changes in Net Assets

	Governmental Activities	
	2006	2005 Reclassed
Program Revenues:		
Charges for Services	\$1,135,180	\$1,238,589
Operating Grants	997,660	981,206
Capital Grants	0	15,960
General Revenue:		
Income Taxes	5,853,108	4,889,952
Property Taxes	10,033,045	9,359,352
Grants and Entitlements	6,632,434	6,745,050
Other	678,882	449,257
Total Revenues	<u>25,330,309</u>	<u>23,679,366</u>
Program Expenses:		
Instruction	12,199,051	11,578,166
Support Services:		
Pupil and Instructional Staff	2,496,645	1,907,388
General and School Administrative, and Fiscal	2,504,332	2,375,844
Operations and Maintenance	1,952,269	1,986,931
Pupil Transportation	467,465	430,631
Central	112,624	401,440
Operation of Non-Instructional Services	805,139	748,763
Extracurricular Activities	668,533	762,766
Interest and Fiscal Charges	1,786,721	1,228,383
Total Expenses	<u>22,992,779</u>	<u>21,420,312</u>
Change in Net Assets	2,337,530	2,259,054
Beginning Net Assets	<u>4,241,694</u>	<u>1,982,640</u>
Ending Net Assets	<u><u>\$6,579,224</u></u>	<u><u>\$4,241,694</u></u>

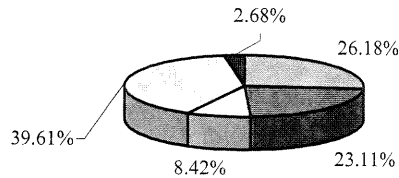
Governmental Activities

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

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40% of revenue for governmental activities for the District in fiscal year 2006.

<u>Revenue Sources</u>	<u>2006</u>	<u>Percent of Total</u>
General Grants	\$6,632,434	26.18%
Income Taxes	5,853,108	23.11%
Program Revenues	2,132,840	8.42%
Property Tax Revenues	10,033,045	39.61%
Other Revenues	678,882	2.68%
	<u>\$25,330,309</u>	<u>100.00%</u>



Instruction comprises 53% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest expense were 14%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The increase in property tax revenue is the result of more taxes available for advance at the end of the year as compared to the prior year. The District also received additional monies in income tax collections. Interest and fiscal charges increased due to the issuance of advance refunding bonds. Instructional expenses increased due to general inflationary costs.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005 Reclassed
Instruction	\$12,199,051	\$11,578,166	(\$11,218,799)	(\$10,515,838)
Support Services:				
Pupil and Instructional Staff	2,496,645	1,907,388	(2,337,354)	(1,881,879)
General and School Administrative, and Fiscal	2,504,332	2,375,844	(2,501,167)	(2,375,844)
Operations and Maintenance	1,952,269	1,986,931	(1,898,161)	(1,938,748)
Pupil Transportation	467,465	430,631	(429,338)	(372,987)
Central	112,624	401,440	(92,299)	(392,878)
Operation of Non-Instructional Services	805,139	748,763	(215,436)	(7,461)
Extracurricular Activities	668,533	762,766	(380,664)	(470,539)
Interest and Fiscal Charges	1,786,721	1,228,383	(1,786,721)	(1,228,383)
Total Expenses	<u>\$22,992,779</u>	<u>\$21,420,312</u>	<u>(\$20,859,939)</u>	<u>(\$19,184,557)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the general fund comprised \$15,194,321 (78%) and the debt service fund comprised \$2,602,200 (13%) of the total \$19,573,049 governmental funds assets.

General Fund: Fund balance at June 30, 2006 was \$6,342,871 including \$2,647,093 of unreserved balance. The primary reasons for the increase in fund balance were increases in taxes revenue and investment earnings.

Debt Service Fund: Fund balance at June 30, 2006 was \$1,694,998 including (\$16,990,002) of unreserved balance. The primary reason for the increase in fund balance was a decrease in principal and interest payments.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District amended its general fund budget two times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$20,790,699, above original budget estimates of \$19,362,876. Of this \$1,427,823 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$23,992,827 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

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

	Governmental Activities	
	2006	2005
Land	\$629,493	\$629,493
Construction in Progress	1,606,025	0
Buildings and Improvements	21,061,326	21,635,705
Equipment	695,983	685,222
Total Net Capital Assets	<u>\$23,992,827</u>	<u>\$22,950,420</u>

The increase in capital assets is due to the beginning of the construction for the athletic field improvements.

See note 7 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2006, the District had \$25,630,870 in bonds and leases payable, \$907,198 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2006	2005
General Obligation Bonds:		
School Improvement Bonds Series 1998B	\$3,725,000	\$20,375,000
School Improvement Bonds Series 1998A	0	1,800,000
Refunding Bonds:		
Current Interest Bonds -		
School Improvement	15,745,000	0
Capital Appreciation Bonds	2,005,000	0
Premium on Bonds	1,103,870	0
Capital Leases	<u>3,052,000</u>	<u>1,374,200</u>
Total Outstanding Debt at Year End	<u>\$25,630,870</u>	<u>\$23,549,200</u>

See note 8 to the basic financial statements for further details on the District's outstanding debt.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

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

Contacting the District's Financial Management

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

Wyoming City School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$4,737,698
Restricted Cash and Investments	59,305
Cash and Cash Equivalents with Fiscal Agent	508,127
Receivables:	
Taxes	14,114,030
Accounts	1,943
Intergovernmental	101,100
Deferred Bond Issuance Costs	228,258
Inventory	4,307
Nondepreciable Capital Assets	2,235,518
Depreciable Capital Assets, Net	<u>21,757,309</u>
 Total Assets	 <u>43,747,595</u>
Liabilities:	
Accounts Payable	1,269
Accrued Wages and Benefits	2,676,984
Retainage Payable	59,305
Accrued Interest Payable	91,071
Contracts Payable	330,084
Unearned Revenue	6,994,953
Long-Term Liabilities:	
Due Within One Year	1,169,338
Due In More Than One Year	<u>25,845,367</u>
 Total Liabilities	 <u>37,168,371</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	(1,409,785)
Restricted for:	
Special Revenue	202,252
Debt Service	1,681,442
Capital Projects	719,517
Unrestricted	<u>5,385,798</u>
 Total Net Assets	 <u>\$6,579,224</u>

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$10,443,321	\$359,922	\$154,440	(\$9,928,959)
Special	1,621,390	0	453,926	(1,167,464)
Vocational	134,340	0	11,964	(122,376)
Support Services:				
Pupil	1,191,765	4,241	29,562	(1,157,962)
Instructional Staff	1,304,880	0	125,488	(1,179,392)
General Administration	32,901	0	0	(32,901)
School Administration	1,714,326	0	0	(1,714,326)
Fiscal	757,105	0	3,165	(753,940)
Operations and Maintenance	1,952,269	54,108	0	(1,898,161)
Pupil Transportation	467,465	38,127	0	(429,338)
Central	112,624	0	20,325	(92,299)
Operation of Non-Instructional Services	805,139	390,913	198,790	(215,436)
Extracurricular Activities	668,533	287,869	0	(380,664)
Interest and Fiscal Charges	1,786,721	0	0	(1,786,721)
Total Governmental Activities	22,992,779	1,135,180	997,660	(20,859,939)
General Revenues:				
				5,853,108
Income Taxes				
Property Taxes Levied for:				
				8,013,993
General Purposes				
				1,635,573
Debt Service Purposes				
				383,479
Capital Projects Purposes				
				6,632,434
Grants and Entitlements not Restricted to Specific Programs				
				202,320
Unrestricted Contributions				
				246,379
Investment Earnings				
				37,130
Refunds and Reimbursements				
				193,053
Other Revenues				
				23,197,469
Total General Revenues				
				2,337,530
Change in Net Assets				
				4,241,694
Net Assets Beginning of Year				
				\$6,579,224
Net Assets End of Year				

See accompanying notes to the basic financial statements.

Wyoming City School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,098,101	\$994,998	\$644,599	\$4,737,698
Restricted Cash and Investments	0	0	59,305	59,305
Cash and Cash Equivalents with Fiscal Agent	0	0	508,127	508,127
Receivables:				
Taxes	12,049,681	1,607,202	457,147	14,114,030
Accounts	0	0	1,943	1,943
Intergovernmental	0	0	101,100	101,100
Interfund	46,539	0	0	46,539
Inventory	0	0	4,307	4,307
Total Assets	15,194,321	2,602,200	1,776,528	19,573,049
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	1,269	0	0	1,269
Accrued Wages and Benefits	2,593,014	0	83,970	2,676,984
Compensated Absences	31,727	0	0	31,727
Retainage Payable	0	0	59,305	59,305
Contracts Payable	0	0	330,084	330,084
Interfund Payable	0	0	46,539	46,539
Deferred Revenue	6,225,440	907,202	387,412	7,520,054
Total Liabilities	8,851,450	907,202	907,310	10,665,962
Fund Balances:				
Reserved for Encumbrances	295,778	17,985,000	473,549	18,754,327
Reserved for Inventory	0	0	4,307	4,307
Reserved for Property Tax Advances	3,400,000	700,000	165,000	4,265,000
Unreserved, Undesignated, Reported in:				
General Fund	2,647,093	0	0	2,647,093
Special Revenue Funds	0	0	36,796	36,796
Debt Service Funds	0	(16,990,002)	0	(16,990,002)
Capital Projects Funds	0	0	189,566	189,566
Total Fund Balances	6,342,871	1,694,998	869,218	8,907,087
Total Liabilities and Fund Balances	\$15,194,321	\$2,602,200	\$1,776,528	\$19,573,049

See accompanying notes to the basic financial statements.

Wyoming City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2006

Total Governmental Fund Balance		\$8,907,087
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.		23,992,827
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	429,836	
Intergovernmental	<u>95,265</u>	
		525,101
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.		(91,071)
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>(1,352,108)</u>	
		(1,352,108)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		228,258
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(25,630,870)</u>
Net Assets of Governmental Activities		<u><u>\$6,579,224</u></u>

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$13,842,688	\$1,637,420	\$368,285	\$15,848,393
Tuition and Fees	350,327	0	180,397	530,724
Investment Earnings	191,694	0	55,797	247,491
Intergovernmental	6,778,777	209,045	627,832	7,615,654
Extracurricular Activities	0	0	159,434	159,434
Charges for Services	0	0	391,021	391,021
Other Revenues	275,973	8,649	200,770	485,392
Total Revenues	21,439,459	1,855,114	1,983,536	25,278,109
Expenditures:				
Current:				
Instruction:				
Regular	10,077,087	0	74,548	10,151,635
Special	1,378,999	0	241,723	1,620,722
Vocational	132,442	0	0	132,442
Support Services:				
Pupil	1,135,818	0	7,632	1,143,450
Instructional Staff	1,030,042	0	130,419	1,160,461
General Administration	32,901	0	0	32,901
School Administration	1,615,972	0	535	1,616,507
Fiscal	709,296	137	32,056	741,489
Operations and Maintenance	1,795,101	0	1,824	1,796,925
Pupil Transportation	354,121	0	39,924	394,045
Central	77,634	0	17,215	94,849
Operation of Non-Instructional Services	9,814	0	772,315	782,129
Extracurricular Activities	456,871	0	195,884	652,755
Capital Outlay	133,955	0	1,613,127	1,747,082
Debt Service:				
Principal Retirement	39,200	700,000	0	739,200
Interest and Fiscal Charges	97,448	791,524	31,278	920,250
Total Expenditures	19,076,701	1,491,661	3,158,480	23,726,842
Excess of Revenues Over (Under) Expenditures	2,362,758	363,453	(1,174,944)	1,551,267
Other Financing Sources (Uses):				
Proceeds of Capital Leases	0	0	1,717,000	1,717,000
Premium on Bonds	0	1,103,870	0	1,103,870
Payments to Refund Bond Escrow Agent	0	(19,553,870)	0	(19,553,870)
Issuance of Refunding Bonds	0	18,450,000	0	18,450,000
Transfers In	0	0	4,455	4,455
Transfers (Out)	(4,455)	0	0	(4,455)
Total Other Financing Sources (Uses)	(4,455)	0	1,721,455	1,717,000
Net Change in Fund Balance	2,358,303	363,453	546,511	3,268,267
Fund Balance Beginning of Year	3,984,568	1,331,545	322,707	5,638,820
Fund Balance End of Year	\$6,342,871	\$1,694,998	\$869,218	\$8,907,087

See accompanying notes to the basic financial statements.

Wyoming City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance - Total Governmental Funds \$3,268,267

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	1,965,932	
Depreciation Expense	<u>(923,525)</u>	1,042,407

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

Delinquent Property Taxes	37,761	
Intergovernmental	<u>14,439</u>	52,200

In the statement of activities, certain costs and proceeds associated with
 long-term debt obligations issued during the year are accrued and
 amortized over the life of the debt obligation. In governmental funds
 these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	228,258	
Premium on Bonds Issued	<u>(1,103,870)</u>	(875,612)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 739,200

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 9,141

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>(181,073)</u>	
		(181,073)

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. (1,717,000)

Change in Net Assets of Governmental Activities		<u><u>\$2,337,530</u></u>
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See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$19,227</u>	<u>\$90,567</u>
Total Assets	<u>19,227</u>	<u>\$90,567</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>90,567</u>
Total Liabilities	<u>0</u>	<u>\$90,567</u>
Net Assets:		
Held in Trust	<u>19,227</u>	
Total Net Assets	<u>\$19,227</u>	

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
Additions:	
Investment Earnings	\$1,064
Other	100
Total Additions	<u>1,164</u>
Deductions:	
Other	<u>5,476</u>
Total Deductions	<u>5,476</u>
Change in Net Assets	(4,312)
Net Assets Beginning of Year	<u>23,539</u>
Net Assets End of Year	<u><u>\$19,227</u></u>

See accompanying notes to the basic financial statements.

**WYOMING CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006**

1. DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected 5 member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 82 non-certificated personnel and approximately 167 certificated full time teaching and administrative personnel to provide services to students and other community members.

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

REPORTING ENTITY

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

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

The District is associated with two organizations that are defined as jointly governed organizations. These organizations include Hamilton/Clermont Cooperative Association and Great Oaks Institute of Technology and Development. These organizations are presented in Note 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FUND ACCOUNTING

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

Governmental Funds

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

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

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

Fiduciary Funds

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

MEASUREMENT FOCUS

Government-wide Financial Statements

The 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.

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

Expenses/Expenditures

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

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

EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund amounted to \$191,694.

INVENTORY

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

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars (\$2,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 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 is due and payable. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$2,603,211 in restricted net assets, none were restricted by enabling legislation.

INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

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

FUND EQUITY

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

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$3,422,704 of the District's bank balance of \$3,522,704 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$4,973	0.00
First American Government Obligation Fund	54	0.00
Investment with Bayerische Hypo	508,073	0.00
Federal Home Loan Bank	309,357	0.63
Federal Home Loan Mortgage	599,915	0.56
Federal National Mortgage Association	587,224	0.29
Total Fair Value	<u>\$2,009,596</u>	
Portfolio Weighted Average Maturity		0.67

The First American Government Obligation Fund and Bayerische Hypo total \$508,127 and represent an investment with Fiscal Agent levy held for a future capital lease.

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 a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in First American General Obligation Bond, Federal Home Loan Bank, Federal Home Loan Mortgage, Federal National Mortgage Association and in the Money Market Funds were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested less than 1% of the District’s investments in Money Market Funds and in First American Government Obligation Fund, 25% in investments with Bayerische Hypo, 15% in Federal Home Loan Bank, 29% in Federal National Mortgage Association, and 30% in Federal Home Loan Mortgage.

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.

5. PROPERTY TAXES

Real property taxes collected in 2006 were levied in April on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

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

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

Real property taxes are payable annually or semi-annually. In 2006, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$3,400,000 for General Fund and \$700,000 for Debt Service, and \$165,000 for Other Governmental Funds and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$293,503,700
Public Utility Personal	3,519,370
Tangible Personal Property	<u>211,118</u>
Total	<u>\$297,234,188</u>

Income Tax

The District levies a voted tax of 1.25% for general operations on the income of residents and of estates. The tax was effective on January 1, 1999, and is a continuous levy. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

6. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Special Education	\$58,125
Improving Teacher Quality	37,140
Food Service	<u>5,835</u>
Total	<u>\$101,100</u>

7. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$629,493	\$0	\$0	\$629,493
Construction in Progress	\$0	\$1,606,025	\$0	1,606,025
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	28,716,743	136,735	0	28,853,478
Equipment	2,091,484	223,172	0	2,314,656
Totals at Historical Cost	31,437,720	1,965,932	0	33,403,652
Less Accumulated Depreciation:				
Buildings and Improvements	7,081,038	711,114	0	7,792,152
Equipment	1,406,262	212,411	0	1,618,673
Total Accumulated Depreciation	8,487,300	923,525	0	9,410,825
Governmental Activities Capital Assets, Net	\$22,950,420	\$1,042,407	\$0	\$23,992,827

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$473,122
Special	19,579
Support Services:	
Pupil	9,235
Instructional Staff	131,233
School Administration	28,168
Fiscal	9,235
Operations and Maintenance	143,331
Pupil Transportation	73,420
Central	10,066
Extracurricular Activities	26,136
Total Depreciation Expense	\$923,525

8. LONG-TERM LIABILITIES

	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
1998B School Improvement*	4.97%	\$20,375,000	\$0	\$16,650,000	\$3,725,000	\$0
1998A School Improvement*	5.05%	1,800,000	0	1,800,000	0	0
2006 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	3.95%-5.75%	0	16,445,000	700,000	15,745,000	655,000
Capital Appreciation Bonds	3.95%-5.75%	0	2,005,000	0	2,005,000	0
Premium on 2006 Refunding Bonds		0	1,103,870	0	1,103,870	58,098
Total General Obligation Bonds		22,175,000	19,553,870	19,150,000	22,578,870	713,098
Capital Leases		1,374,200	1,717,000	39,200	3,052,000	194,100
Total Long Term Debt		23,549,200	21,270,870	19,189,200	25,630,870	907,198
Compensated Absences		1,282,926	405,730	304,821	1,383,835	262,140
Total Governmental Activities		<u>\$24,832,126</u>	<u>\$21,676,600</u>	<u>\$19,494,021</u>	<u>\$27,014,705</u>	<u>\$1,169,338</u>

* Bonds were fully and partially refunded during the fiscal year. The refunded amount for the 1998A Series bonds was \$1,800,000. The refunded amount for the 1998B Series bonds was \$16,650,000.

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

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Accretion	Total
2007	\$655,000	\$922,457	\$1,577,457	\$0	\$0	\$0
2008	680,000	899,912	1,579,912	0	0	0
2009	705,000	875,676	1,580,676	0	0	0
2010	805,000	849,249	1,654,249	0	0	0
2011	835,000	820,551	1,655,551	0	0	0
2012-2016	2,065,000	3,857,619	5,922,619	2,004,983	1,080,017	3,085,000
2017-2021	7,380,000	2,561,425	9,941,425	0	0	0
2022-2026	6,345,000	516,325	6,861,325	0	0	0
Total	<u>\$19,470,000</u>	<u>\$11,303,214</u>	<u>\$30,773,214</u>	<u>\$2,004,983</u>	<u>\$1,080,017</u>	<u>\$3,085,000</u>

9. ADVANCE REFUNDING

On August 17, 2005, the District issued \$18,450,000 in General Obligation bonds with an average interest rate of 4.36%, which was used to advance refund \$1,800,000 of outstanding 1998A Series bonds with an average interest rate of 5.05% and to partially refund \$16,650,000 of outstanding 1998B Series bonds with an average interest rate of 4.97%. In addition to the bond proceeds, the District received \$1,103,870 in premiums. The District purchased \$19,296,409 in U.S. Government Securities which were in place in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1998 Series bonds. As a result, \$18,450,000 of the 1998 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The District advance refunded the 1998 Series bonds to reduce its total debt service payments by \$2,825,883 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$595,633.

10. CAPITAL LEASES

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

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

In fiscal year 2006, the capital lease proceeds that were recorded in the Permanent Improvement Fund relates to athletic field improvements project for 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 U.S. Bank National Association as trustee. U.S. Bank National Association deposited \$1,717,000 in the School District's name for the improvement of the athletic field. The School District made an interest payment to U.S. Bank National Association. The lease is renewable annually and expires in 2014. The intention of the School District is to renew the lease annually.

At fiscal year-end, the District drew down all the money to finance the project. The District will begin making principal payments in fiscal year 2007. The principal amount owed on the lease at year end is \$1,717,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 3.65% plus an annual administrative fee.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2007	\$352,992
2008	352,764
2009	352,632
2010	352,617
2011	352,235
2012-2016	1,530,465
2017-2021	593,321
2022-2026	<u>591,518</u>
Total Minimum Lease Payments	4,478,544
Less: Amount Representing Interest	(1,414,959)
Less: Additional Program Cost Component	<u>(11,585)</u>
Present Value of Minimum Lease Payments	<u>\$3,052,000</u>

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

Buildings and Improvements	\$3,217,000
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11. DEFINED BENEFIT PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$362,664, \$366,504, and \$361,152, respectively; 96% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090 or by visiting STRS website at strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%, 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,340,772, \$1,318,692, and \$1,291,836, respectively; 83% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

12. POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$95,769 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the District paid \$88,594 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

13. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2006.

LITIGATION

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

14. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Indiana Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage. Coverage's provided by Indiana Insurance Company are as follows:

Building and Contents - Replacement Cost	\$42,864,500
Inland Marine Coverage	681,000
Boiler and Machinery	No Limit
Crime Insurance	3,000
Automobile Liability	2,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	2,000,000
Total Per Year	5,000,000

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

For fiscal year 2006, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Union Services, Inc. provides administrative, cost control and actuarial services to the GRP.

15. JOINTLY GOVERNED ORGANIZATIONS

The Great Oaks Joint Vocational School (the School), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a Board consisting of one representative from each participating school district's elected board. The Board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which leads 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.

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium A-site used by the District. HCCA is an association of public districts in a geographic area determined by the Ohio Department of Education. 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. The Board of the School consists of one representative from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the board.

16. COMPLIANCE AND ACCOUNTABILITY

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

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

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

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. At June 30, 2006, the District's disbursements plus encumbrances exceeded appropriations in certain funds.

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

Ohio Revised Code Section 5705.412(B) requires, in part, that the Treasurer, Superintendent, and President of the Board of Education to certify that adequate revenues will be available to maintain all personnel and programs for all the days set forth in the District's adopted school calendars for the current fiscal year and for a number of days succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year. The District failed to issue 412 certificates for permanent and amended appropriations, as well as, a salary change. 412 certificates that were executed were not properly approved by the Treasurer, Superintendent, and Board President.

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. As of 9/30/06, actual receipts were below estimated receipts, and the deficiency reduced available resources below the current appropriations.

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

<u>Fund</u>	<u>Deficit</u>
Special Education	\$18,316
Title V	5,282
Food Service	16,364

The deficits in fund balances were 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.

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2005	(\$1,512,806)	\$0
Current Year Set-aside Requirement	300,926	300,926
Qualified Disbursements	(1,021,567)	(484,288)
Current Year Offsets	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>(\$2,233,447)</u>	<u>\$0</u>

Qualifying disbursements and carryover from prior years for textbooks totaled \$1,512,806, resulting in \$2,233,447 for carryover to offset textbook requirements in future years. Qualifying disbursements for capital exceeded the required amount, however nothing can be carried forward to future years.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2006, consisted of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$46,539	\$0	\$0	\$4,455
Other Governmental Funds	<u>0</u>	<u>46,539</u>	<u>4,455</u>	<u>0</u>
	<u>\$46,539</u>	<u>\$46,539</u>	<u>\$4,455</u>	<u>\$4,455</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Wyoming City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,264,812	\$13,169,222	\$13,176,493	\$7,271
Tuition and Fees	326,088	350,134	350,327	193
Investment Earnings	177,396	190,477	190,582	105
Intergovernmental	6,337,707	6,805,051	6,808,808	3,757
Other Revenues	256,873	275,815	275,967	152
Total Revenues	19,362,876	20,790,699	20,802,177	11,478
Expenditures:				
Current:				
Instruction:				
Regular	11,050,431	10,268,923	10,294,225	(25,302)
Special	1,545,065	1,435,795	1,439,333	(3,538)
Vocational	140,930	130,963	131,286	(323)
Support Services:				
Pupil	1,158,719	1,076,772	1,079,425	(2,653)
Instructional Staff	1,101,612	1,023,704	1,026,226	(2,522)
General Administration	60,986	56,673	56,813	(140)
School Administration	1,690,615	1,571,051	1,574,922	(3,871)
Fiscal	753,484	700,196	701,921	(1,725)
Operations and Maintenance	1,931,616	1,795,008	1,799,431	(4,423)
Pupil Transportation	369,158	343,051	343,896	(845)
Central	122,335	113,683	113,963	(280)
Operation of Non-Instructional Services	13,186	12,254	12,284	(30)
Extracurricular Activities	493,187	458,308	459,437	(1,129)
Capital Outlay	223,347	207,552	208,063	(511)
Debt Service:				
Principal Retirement	39,200	39,200	39,200	0
Interest and Fiscal Charges	107,486	97,112	97,448	(336)
Total Expenditures	20,801,357	19,330,245	19,377,873	(47,628)
Excess of Revenues Over (Under) Expenditures	(1,438,481)	1,460,454	1,424,304	(36,150)
Other financing sources (uses):				
Advances In	139,622	149,917	150,000	83
Advances (Out)	(48,897)	(45,439)	(45,551)	(112)
Transfers (Out)	(4,782)	(4,444)	(4,455)	(11)
Total Other Financing Sources (Uses)	85,943	100,034	99,994	(40)
Net Change in Fund Balance	(1,352,538)	1,560,488	1,524,298	(36,190)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,281,842	1,281,842	1,281,842	0
Fund Balance End of Year	(\$70,696)	\$2,842,330	\$2,806,140	(\$36,190)

See accompanying notes to the required supplementary information.

WYOMING CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2006

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2006.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$2,358,303
Net Adjustment for Revenue Accruals	(487,282)
Net Adjustment for Expenditure Accruals	(50,945)
Encumbrances	<u>(295,778)</u>
Budget Basis	<u>\$1,524,298</u>

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wyoming City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-002, 2006-005, 2006-007 and 2006-008.

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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the District's management dated December 21, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2006-001 through 2006-006 and 2006-008. In a separate letter to the District's management dated December 21, 2007, we reported a matter related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 21, 2007

WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

FINDING NUMBER 2006-001

Noncompliance

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

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

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

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

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

The District did not properly certify the availability of funds for purchase commitments for twenty-two percent of expenditures tested and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

**FINDING NUMBER 2006-001
 (Continued)**

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

Officials’ Response:

The District has implemented new purchasing procedures that expressly indicate that no purchases are to be made without first having a properly executed purchase order. We are continuing to educate employees to these new procedures as while as notifying vendors that the District will not be held liable for any orders placed without a purchase order.

The District has begun using blanket purchase orders as well as super blanket purchase orders when appropriate. These purchase orders are monitored on a monthly basis to ensure that they are within the State guidelines.

The District has begun using the “Then and Now” certificate when appropriate. The District is striving to eliminate the use of the “Then and Now” certificates in non-emergency situations.

FINDING NUMBER 2006-002

Noncompliance/Reportable Condition

Ohio Revised Code, § 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in Chapter 5705.

At June 30, 2006, the District’s expenditures plus encumbrances exceeded appropriations for the following funds in fiscal year 2006:

Fund	Actual Expenditures plus Encumbrances	Appropriations – Plus Prior Year Carryover	Variance
001 – General	\$19,358,057	\$19,314,242	(\$43,815)
401 – Auxiliary Services	104,677	100,533	(4,144)
516 – Title VI-B & Pre-School	397,247	389,750	(7,497)

At October 31, 2005, the District’s expenditures plus encumbrances exceeded appropriations in the following funds:

Fund	Actual Expenditures plus Encumbrances	Appropriations Plus Prior Year Carryover	Variance
001 – General	\$7,042,323	\$4,602,368	(\$2,439,955)
002 – Bond Retirement	19,140,133	396,383	(18,743,750)
003 – Permanent Improvement	384,182	84,200	(299,982)
300 – Athletic Funds	96,682	82,749	(13,933)
200 – Student Activity	46,204	39,815	(6,389)

**FINDING NUMBER 2006-002
 (Continued)**

At April 30, 2006, the District's expenditures plus encumbrances exceeded appropriations in the following funds:

Fund	Actual Expenditures plus Encumbrances	Appropriations Plus Prior Year Carryover	Variance
002 – Bond Retirement	20,165,571	19,099,641	(\$1,065,930)
003 – Permanent Improvement	1,301,902	252,000	(1,049,902)
200 – Student Activity	176,493	86,749	(89,744)

We recommend that the District consistently deny any payment request which would result in a fund's expenditures exceeding appropriations. Where necessary, the District may request the Board to approve increased expenditure levels by amending appropriations.

Furthermore, we noted that official budgetary documents, including appropriations and estimated resources for fiscal year 2006 were not reflected in the District's computerized budgetary ledger system. Incorrect appropriation amounts and estimated resources in the budgetary ledger may give the Board an inaccurate view of budgeted financial activity; therefore, we recommend that all official budgetary documents be reflected in the system. Reviews should be performed to verify the amounts in the system accurately reflect the supporting budgetary documentation.

Officials' Response:

The District has put in place safeguards on the accounting system that will not allow a purchase order to be produced unless there are sufficient appropriations available. The Board of Education has also begun receiving monthly financial statements to monitor the appropriations. When necessary the Board has approved increased expenditure levels by amending the appropriations.

FINDING NUMBER 2006-003

Noncompliance

Ohio Revised Code, § 5705.36(A)(4), requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. As of June 30, 2006, actual receipts were below estimated receipts, and the deficiency reduced available resources below the current appropriations in the following funds:

Fund	Available Resources Plus Beginning Cash Fund Balance	Current Year Appropriations Plus Prior Year Carryover Appropriations	Variance
499 – Misc. State Grant	\$0	\$534	(\$534)
002 – Bond Retirement	2,371,710	20,643,982	(18,272,272)
003 – Permanent Improvement	487,641	1,807,548	(1,319,907)
006 – Food Service	439,863	444,318	(4,455)

**FINDING NUMBER 2006-003
 (Continued)**

Officials' Response:

Adjustments to the District's amended certificate are being approved by the Board of Education as necessary to avoid over appropriating any fund. These reports are also being filled with the Hamilton County Budget Commission.

FINDING NUMBER 2006-004

Noncompliance

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

Month and Year	(Fund Number) Fund	Negative Fund Balance
November 2005	432 – EMIS	\$652
January 2006	007 – Expendable Trust	3,200
January 2006	432 – EMIS	22
February 2006	007 – Expendable Trust	1,908
February 2006	432 – EMIS	202
February 2006	516 – Title VI-B & Pre-school	17,482
February 2006	587 – Preschool Handicapped	3,900
February 2006	590 – Improving Teacher Quality	262

Officials' Response:

As mentioned in the officials' response for finding number 2006-002 the District has implemented certain safeguards to help ensure that expenditures do not exceed that approved appropriation. The one area of concern for the District is with the federal title programs. These programs only allow 10% of the approved grant fund to be draw down from the State unless actual expenditures exceed the amount received. In this situation, when the District must ask for more then the 10%, the State does not release these funds until the following month which results in a negative cash balance for the given month.

FINDING NUMBER 2006-005

Noncompliance/Reportable Condition

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

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

FINDING NUMBER 2006-005
(Continued)

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

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

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

- Seventy-five percent (75%) of the student activity programs reviewed did not have a purpose clause or a budget form.
- The purpose clause and budget form was completed for the Class of 2010 but was not signed by the superintendent.
- The advisors/sponsors for the student activity programs did not utilize pay-ins and/or receipts for the money collected from the students. Also, the advisors/sponsors did not consistently utilize payment records forms for the money collected from the students.
- The Board did not approve fees for student fundraisers.
- Supporting documentation such as pre-numbered duplicate receipts, payment record forms, or other documentation noting the date monies were received from students was not kept for Latin Club (pizza sale, bake sale, and t-shirt sale) and the Class of 2006 (senior dinner) fundraisers.

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

It was also noted during testing of athletic event receipts that the Athletic Director prepares all ticket tally forms for revenue collected at the gate for events. The District should have the people collecting the revenue for gate sales at athletic events complete the ticket tally form before submitting the revenue to the Athletic Director to ensure proper segregation of duties. Upon receiving the revenue and ticket tally form the Athletic Director should review and approve it before the deposit is collected by the District Courier and deposited to the bank.

**FINDING NUMBER 2006-005
(Continued)**

Officials' Response:

The Board of Education is in the process of reviewing and updating the District's policies with Neola. This review has included those policies related to student activity groups. We have developed procedures in accordance with the guidelines established by Auditor of State and Board policy that will address the student activity issues reported in this finding. We will also be meeting with activity advisors on an annual basis to review these procedures.

FINDING NUMBER 2006-006

Noncompliance

Ohio Revised Code, § 5705.412 (B), requires, in part, that the Treasurer, Superintendent, and President of the Board of Education to certify that adequate revenues will be available to maintain all personnel and programs for all the days set forth in the District's adopted school calendars for the current fiscal year and for a number of days succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year. The District failed to issue 412 certificates for permanent and amended appropriations, as well as, a salary change. 412 certificates that were executed were not properly approved by the Treasurer, Superintendent, and Board President.

Officials' Response:

The 412 certificates reported in the finding have been completed. We have developed a checklist of items needing to be completed prior to and following each Board of Education meeting. The 412 certificate is included on this checklist to ensure that they are completed.

FINDING NUMBER 2006-007

Reportable Condition

The District should maintain an accurate, integrated, comprehensive capital asset listing, including detailed depreciation schedules to assist in the monitoring and management of their capital assets, and adopt, by a board of education resolution, a formal capital asset policy that supports management assertions related to the reporting of capital assets. The District does not maintain a comprehensive capital asset listing or detailed depreciation schedule, nor do they have a formal capital asset policy.

During fiscal year 2006, the District added equipment related capital assets totaling \$143,464, or approximately 6% of the equipment capital asset ending balance that did not meet their capitalization threshold. In addition, the District did not properly calculate depreciation expense and included depreciation expense for the assets not meeting capitalization requirements resulting in depreciation expense being overstated by \$132,009 or approximately 14% of depreciation expense reported for 2006. These errors resulted from the segmented capital asset records and a lack of detail review of the capital asset activity throughout the year. In addition, assets acquired during fiscal year 2006 were not tagged. The financial statements have not been adjusted for these errors.

**FINDING NUMBER 2006-007
(Continued)**

To promote adequate safeguards over their capital assets, and to reduce the risk that the District's capital assets will be misstated, the District should develop and adopt a capital asset policy and develop a complete capital asset listing containing such information as the tag number, description, cost, acquisition date, location, and depreciation expense. This should include, but not be limited to, reconciling the District's fixed asset data to an asset listing by location and invoices, and the development of a tracking system that uses addition and disposal forms to be completed by the staff and approved by management when assets are acquired, relocated, or disposed of. Also, the District should exclude all items under the capitalization threshold from the financial report.

Officials' Response:

The District has contracted with Industrial Appraisal to perform a fixed asset review, which includes a physical inventory of all capital assets, tagging all capital assets, as well as all necessary financial reports. The physical inventory and tagging of items occurred in September of 2007. The financial reports are projected to be received in January or February of 2008. At that time we will update our capital asset accounting system. We are also in the process of developing procedures to maintain an accurate fixed asset system. As mentioned above the Board of Education is going through a review of its policies which will include a policy on capital assets.

FINDING NUMBER 2006-008

Noncompliance/Reportable Condition

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

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

The District did not properly reconcile its general checking account during the audit period. The District's attempted reconciliations of the bank balances to the financial records contained posting errors, banking errors, items not posted, and wrong outstanding check number in the monthly reconciliation. The AOS declared the District unauditible and issued a ninety-day letter to the District. The District then properly reconciled the account after the end of the fiscal year.

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

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

**FINDING NUMBER 2006-008
(Continued)**

Officials' Response:

The District has properly reconciled its general checking account through the current month. The general checking reconciliation is reviewed monthly by the District's Finance and Audit Committee.

As noted above, all of the fiscal year 2006 audit findings are currently being addressed. The District is continuing to strive towards the elimination of all reportable finding.

**WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC Section 117.28, finding for recovery for unaccounted public monies	Yes	Referred to the Ohio Attorney General and the District's legal counsel.
2005-002	ORC Section 117.28, finding for recovery for unaccounted public monies	Yes	Referred to the Ohio Attorney General and the District's legal counsel.
2005-003	ORC Section 5705.41(D)(1), failure to encumber funds	No	Not corrected, reissued as Finding 2006-001
2005-004	ORC Section 3313.31, Treasurer shall be the chief fiscal officer of the school district and OAC section 117-2-02 (A), shall maintain an accounting system and accounting records sufficiently	No	Not correct, reissued as Finding 2006-008
2005-005	ORC Section 3315.062(B), monies for student activities shall be paid to an activity fund; 1986 Op. Att'y Gen 086-013, monies in a student activity fund are public funds; and OAC Section 117-2-02 (A), shall maintain an accounting system and accounting records sufficiently	No	Not corrected, reissued as Finding 2006-005
2005-006	ORC Section 5705.41(B), disbursements plus encumbrances exceed appropriations	No	Not corrected, reissued as Finding 2006-002
2005-007	ORC Section 5705.10, negative fund balances	No	Not corrected, reissued as Finding 2006-004

Wyoming City School District
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2005-008	ORC Section 9.38, timely deposit of public money	No	Partially corrected, reissued as management letter comment
2005-009	Capital Asset accounting weaknesses - Maintain an accurate, integrated, comprehensive capital asset listing	No	Not corrected, reissued as Finding 2006-007.
2005-010	Maintain adequate payroll accounting records	Yes	



Mary Taylor, CPA
Auditor of State

WYOMING CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2008**