



**Auditor of State
Betty Montgomery**

**WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wyoming City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2004, 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, 2004, and the respective changes in financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, 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 respective budgetary comparison for the general fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

September 30, 2005

WYOMING CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004
(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, 2004. 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.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$1,323,993.
- General revenues accounted for \$20,824,324 in revenue or 94% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,255,655 or 6% of total revenues of \$22,079,979.
- Total assets of governmental activities increased by \$4,284,684 as taxes receivable increased by \$4,218,170 while cash and other receivables increased by \$792,747.
- The District had \$20,755,986 in expenses related to governmental activities; \$1,255,655 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$20,824,324 were adequate to provide for these programs.
- As the major fund, the General Fund had \$19,335,075 in revenues and \$17,821,567 in expenditures. The General Fund's balance increased from \$454,025 to \$1,947,625. The Debt Service Fund had \$1,431,111 in revenues and \$1,708,840 in expenditures. The Debt Service Fund balance decreased from \$1,322,523 to \$1,044,794.

Using this Basic Financial Statement Report

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.

Reporting the School District as a Whole

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 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2004 compared to 2003:

	<u>Governmental Activities</u>	
	<u>2003 (Restated)</u>	<u>2004</u>
Assets		
Current and Other Assets	\$8,108,623	\$13,116,459
Capital Assets	<u>24,318,406</u>	<u>23,595,254</u>
Total Assets	<u>32,427,029</u>	<u>36,711,713</u>
Liabilities		
Long-Term Liabilities	25,630,223	25,129,166
Other Liabilities	<u>6,138,159</u>	<u>9,599,907</u>
Total Liabilities	<u>31,768,382</u>	<u>34,729,073</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	288,406	278,408
Restricted	1,754,492	1,078,713
Unrestricted	<u>(1,384,251)</u>	<u>625,519</u>
Total Net Assets	<u>\$658,647</u>	<u>\$1,982,640</u>

Total assets increased \$4,284,684. Equity in pooled cash and cash equivalents increased \$885,369. Taxes receivable increased \$4,218,170. Total liabilities increased \$2,960,691, resulting in a net asset decrease of \$1,323,993.

Table 2 shows the change in net assets for fiscal year 2004 compared to 2003:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2003 (Restated)</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,061,162	\$577,152
Operating Grants	492,316	671,016
Capital Grants	30,135	7,487
General Revenue:		
Income Taxes	4,544,884	4,640,040
Property Taxes	6,367,936	9,095,840
Grants and Entitlements	6,254,198	6,499,069
Other	<u>902,888</u>	<u>589,375</u>
Total Revenues	<u>19,653,519</u>	<u>22,079,979</u>
Program Expenses:		
Instruction	11,825,180	12,589,732
Support Services:		
Pupil and Instructional Staff	1,322,043	1,317,716
General Administration, School		
Administration, Fiscal and Business	1,689,868	2,198,803
Operations and Maintenance	1,810,452	1,702,965
Pupil Transportation	411,484	367,792
Central	63,100	335,937
Operation of Non-Instructional Services	564,253	548,095
Extracurricular Activities	725,925	408,283
Interest and Fiscal Charges	<u>1,293,292</u>	<u>1,286,663</u>
Total Expenses	<u>19,705,597</u>	<u>20,755,986</u>
Increase in Net Assets	<u>(\$52,078)</u>	<u>\$1,323,993</u>

Governmental Activities

The District revenues are mainly from three sources. Property taxes levied for general purposes, grants and entitlements, and payments in lieu of taxes and income taxes comprised 92% 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 41% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 61% of governmental program expenses. Support services expenses were 28% of governmental program expenses. All other expenses including interest expense was 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2003 (Restated)</u>	<u>2004</u>	<u>2003 (Restated)</u>	<u>2004</u>
Instruction	\$11,825,180	\$12,589,732	(\$11,060,525)	(\$11,708,081)
Support Services:				
Pupil and Instructional Staff	1,322,043	1,317,716	(1,319,930)	(1,314,776)
General Administration, School Administration, Fiscal and Business	1,689,868	2,198,803	(1,689,868)	(2,198,803)
Operations and Maintenance	1,810,452	1,702,965	(1,737,323)	(1,634,368)
Pupil Transportation	411,484	367,792	(411,484)	(364,445)
Central	63,100	335,937	(55,346)	(325,146)
Operation of Non-Instructional Services	564,253	548,095	(43,335)	(423,712)
Extracurricular Activities	725,925	408,283	(510,881)	(244,337)
Interest and Fiscal Charges	<u>1,293,292</u>	<u>1,286,663</u>	<u>(1,293,292)</u>	<u>(1,286,663)</u>
Total Expenses	<u>\$19,705,597</u>	<u>\$20,755,986</u>	<u>(\$18,121,984)</u>	<u>(\$19,500,331)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the general fund comprised \$10,261,256 (78%) and the debt service fund comprised \$2,477,717 (19%) of the total \$13,128,867 governmental funds assets.

General Fund: Fund balance at June 30, 2004 was \$1,947,625 including \$367,725 of unreserved balance. The primary reasons for the increase in fund balance were increases in taxes revenue and intergovernmental revenue in the form of grants.

Debt Service Fund: Fund balance at June 30, 2004 was \$1,044,794 including \$675,914 of unreserved balance. The primary reason for the decrease in fund balance was repayment of lease and general obligation debt.

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 2004, the District amended its general fund budget two times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$18,393,974, below original budget estimates of \$18,553,526. Of this \$159,552 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 2004, the District had \$23,595,254 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	<u>Governmental Activities</u>	
	<u>2003 (Restated)</u>	<u>2004</u>
Land	\$629,493	\$629,493
Buildings and Improvements	22,950,912	22,321,699
Equipment	<u>738,001</u>	<u>644,062</u>
Total Net Assets	<u>\$24,318,406</u>	<u>\$23,595,254</u>

The decrease in capital assets is due to recognition of \$776,310 in depreciation expense. The District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2004, the District had \$22,615,000 in bonds payable, \$440,000 due within one year. Table 5 summarizes bonds outstanding at year end.

Table 5
Outstanding Debt, at Year End

	<u>Governmental Activities 2003 Restated</u>	<u>Governmental Activities 2004</u>
General Obligation Bonds:		
School Improvement Bonds Series 1999	<u>\$23,030,000</u>	<u>\$22,615,000</u>

For the Future

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

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

Contacting the District's Financial Management

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

Wyoming City School District
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$2,176,224
Receivables:	
Taxes	10,929,537
Accounts	1,789
Intergovernmental	4,250
Inventory	4,659
Nondepreciable Capital Assets	629,493
Depreciable Capital Assets, Net	<u>22,965,761</u>
Total Assets	<u>36,711,713</u>
Liabilities:	
Accounts Payable	168,323
Accrued Wages and Benefits	2,496,340
Accrued Interest Payable	102,024
Deferred Revenue	6,833,220
Long-Term Liabilities:	
Due Within One Year	777,208
Due In More Than One Year	<u>24,351,958</u>
Total Liabilities	<u>34,729,073</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	278,408
Restricted for:	
Special Revenue	103,861
Debt Service	776,713
Capital Projects	198,139
Unrestricted	<u>625,519</u>
Total Net Assets	<u>\$1,982,640</u>

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$10,782,618	\$161,028	\$422,225	\$4,140	(\$10,195,225)
Special	1,669,709	0	96,541	0	(1,573,168)
Vocational	137,405	0	0	0	(137,405)
Other	0	183,581	14,136	0	197,717
Support Services:					
Pupil	873,752	0	2,940	0	(870,812)
Instructional Staff	443,964	0	0	0	(443,964)
General Administration	290,932	0	0	0	(290,932)
School Administration	1,543,789	0	0	0	(1,543,789)
Fiscal	364,082	0	0	0	(364,082)
Operations and Maintenance	1,702,965	68,597	0	0	(1,634,368)
Pupil Transportation	367,792	0	0	3,347	(364,445)
Central	335,937	0	10,791	0	(325,146)
Operation of Non-Instructional Services	548,095	0	124,383	0	(423,712)
Extracurricular Activities	408,283	163,946	0	0	(244,337)
Interest and Fiscal Charges	1,286,663	0	0	0	(1,286,663)
Total Governmental Activities	20,755,986	577,152	671,016	7,487	(19,500,331)

General Revenues:	
Income Taxes	4,640,040
Property Taxes Levied for:	
General Purposes	7,823,756
Debt Service Purposes	1,272,084
Grants and Entitlements not Restricted to Specific Programs	6,499,069
Unrestricted Contributions	18,306
Investment Earnings	26,199
Refunds and Reimbursements	7,606
Other Revenues	537,264
Total General Revenues	20,824,324
Change in Net Assets	1,323,993
Net Assets Beginning of Year (as restated)	658,647
Net Assets End of Year	\$1,982,640

See accompanying notes to the basic financial statements.

Wyoming City School District
 Balance Sheet
 Governmental Funds
 June 30, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,119,525	\$675,914	\$380,785	\$2,176,224
Receivables:				
Taxes	9,127,734	1,801,803	0	10,929,537
Accounts	1,789	0	0	1,789
Intergovernmental	0	0	4,250	4,250
Interfund	12,208	0	200	12,408
Inventory	0	0	4,659	4,659
Total Assets	10,261,256	2,477,717	389,894	13,128,867
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	152,576	0	15,747	168,323
Accrued Wages and Benefits	2,326,518	0	51,453	2,377,971
Compensated Absences	149,612	0	0	149,612
Interfund Payable	0	0	12,408	12,408
Deferred Revenue	5,684,925	1,432,923	347	7,118,195
Total Liabilities	8,313,631	1,432,923	79,955	9,826,509
Fund Balances:				
Reserved for Encumbrances	0	0	22,697	22,697
Reserved for Inventory	0	0	4,659	4,659
Reserved for Property Tax Advances	1,579,900	368,880	0	1,948,780
Unreserved, Undesignated, Reported in:				
General Fund	367,725	0	0	367,725
Special Revenue Funds	0	0	84,444	84,444
Debt Service Funds	0	675,914	0	675,914
Capital Projects Funds	0	0	198,139	198,139
Total Fund Balances	1,947,625	1,044,794	309,939	3,302,358
Total Liabilities and Fund Balances	\$10,261,256	\$2,477,717	\$389,894	\$13,128,867

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, 2004

Total Governmental Fund Balance		\$3,302,358
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.		23,595,254
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	284,628	
Intergovernmental	<u>347</u>	
		284,975
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.		(102,024)
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.		
Pension Obligation	(118,369)	
Compensated Absences	<u>(954,154)</u>	
		(1,072,523)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(24,025,400)</u>
Net Assets of Governmental Activities		<u><u>\$1,982,640</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, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$12,229,971	\$1,221,282	\$0	\$13,451,253
Tuition and Fees	344,610	0	1,440	346,050
Investment Earnings	26,199	0	0	26,199
Intergovernmental	6,529,515	209,829	507,099	7,246,443
Extracurricular Activities	0	0	162,506	162,506
Other Revenues	204,780	0	426,992	631,772
Total Revenues	19,335,075	1,431,111	1,098,037	21,864,223
Expenditures:				
Current:				
Instruction:				
Regular	10,314,328	0	80,937	10,395,265
Special	1,463,596	0	237,138	1,700,734
Vocational	123,188	0	0	123,188
Support Services:				
Pupil	837,442	0	0	837,442
Instructional Staff	321,527	0	0	321,527
General Administration	290,932	0	0	290,932
School Administration	1,494,409	0	0	1,494,409
Fiscal	352,980	10,749	0	363,729
Operations and Maintenance	1,600,732	0	0	1,600,732
Pupil Transportation	306,040	0	0	306,040
Central	360,370	0	3,340	363,710
Operation of Non-Instructional Services	0	0	540,043	540,043
Extracurricular Activities	356,023	0	215,445	571,468
Debt Service:				
Principal Retirement	0	448,200	0	448,200
Interest and Fiscal Charges	0	1,249,891	0	1,249,891
Total Expenditures	17,821,567	1,708,840	1,076,903	20,607,310
Excess of Revenues Over (Under) Expenditures	1,513,508	(277,729)	21,134	1,256,913
Other Financing Sources (Uses):				
Transfers In	0	0	19,908	19,908
Transfers (Out)	(19,908)	0	0	(19,908)
Total Other Financing Sources (Uses)	(19,908)	0	19,908	0
Net Change in Fund Balance	1,493,600	(277,729)	41,042	1,256,913
Fund Balance Beginning of Year (as restated)	454,025	1,322,523	268,897	2,045,445
Fund Balance End of Year	\$1,947,625	\$1,044,794	\$309,939	\$3,302,358

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, 2004

Net Change in Fund Balance - Total Governmental Funds \$1,256,913

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	53,158	
Depreciation Expense	<u>(776,310)</u>	(723,152)

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

Delinquent Property Taxes	284,628	
Intergovernmental	<u>(68,872)</u>	215,756

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 448,200

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (36,772)

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.

Pension Obligation	(4,428)	
Compensated Absences	<u>202,469</u>	198,041

Change in Net Assets of Governmental Activities \$1,358,986

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$15,652	\$80,284
Total Assets	<u>15,652</u>	<u>\$80,284</u>
Liabilities:		
Accounts Payable	0	1,279
Other Liabilities	0	79,005
Total Liabilities	<u>0</u>	<u>\$80,284</u>
Net Assets:		
Held in Trust	<u>15,652</u>	
Total Net Assets	<u>\$15,652</u>	

See accompanying notes to the basic financial statements.

Wyoming City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust
Additions:	
Other	<u>\$3,010</u>
Total Additions	<u>3,010</u>
Deductions:	
Other	<u>1,250</u>
Total Deductions	<u>1,250</u>
Change in Net Assets	1,760
Net Assets Beginning of Year (As Restated)	<u>13,892</u>
Net Assets End of Year	<u>\$15,652</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, 2004

1. DESCRIPTION OF THE DISTRICT

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

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

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

REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

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 School District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fiduciary Funds are reported using the economic resources measurement focus.

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

CASH AND CASH EQUIVALENTS

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 “cash and cash equivalents”.

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.

INVENTORY

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

CAPITAL ASSETS

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

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

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

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

COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

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.

NET ASSETS

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

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

INTERFUND ACTIVITY

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

FUND EQUITY

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

4. CASH AND CASH EQUIVALENTS

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 "Cash and cash equivalents."

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) Repurchase agreements in the securities enumerated above.
- (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.

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 – At the year end, the carrying amount of the District's deposits was \$2,272,162. The bank balance of deposits was \$2,358,953 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$2,258,953 was covered by 105% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

The District has no investments.

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.

5. PROPERTY TAXES

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2004, 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, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. 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, 2004, was \$1,579,900 for General Fund and \$368,880 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 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 2004 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$248,994,960
Public Utility Personal	3,803,420
Tangible Personal Property	<u>652,600</u>
Total	<u>\$253,450,980</u>

6. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Title V	\$92
Drug Free Schools	255
Food Service	3,903

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
Land	\$629,493	\$0	\$0	\$629,493
Buildings and Improvements	28,716,743	0	0	28,716,743
Equipment	<u>1,792,259</u>	<u>53,158</u>	<u>0</u>	<u>1,845,417</u>
Totals at Historical Cost	<u>\$31,138,495</u>	<u>\$53,158</u>	<u>\$0</u>	<u>\$31,191,653</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$5,765,831	\$629,213	\$0	\$6,395,044
Equipment	<u>1,054,258</u>	<u>147,097</u>	<u>0</u>	<u>1,201,355</u>
Total Accumulated Depreciation	<u>\$6,820,089</u>	<u>\$776,310</u>	<u>\$0</u>	<u>\$7,596,399</u>
Governmental Activities Capital Assets, Net	<u>\$24,318,406</u>	<u>(\$723,152)</u>	<u>\$0</u>	<u>\$23,595,254</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$405,456
Special	16,359
Support Services:	
Pupil	7,796
Instructional Staff	110,322
School Administration	23,684
Operations and Maintenance	120,451
Pupil Transportation	61,752
Central	8,496
Extracurricular Activities	<u>21,994</u>
Total Depreciation Expense	<u>\$776,310</u>

8. LONG-TERM LIABILITIES

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds:					
School Improvement 4.97%	\$21,030,000	\$0	\$315,000	\$20,715,000	\$340,000
School Improvement 5.05%	<u>2,000,000</u>	<u>0</u>	<u>100,000</u>	<u>1,900,000</u>	<u>100,000</u>
Total General Obligation Bonds	23,030,000	0	415,000	22,615,000	440,000
Lease Purchase Administration Building 8.75%	521,800	0	16,600	505,200	18,100
Lease Purchase Administration Building 6.03%	<u>921,800</u>	<u>0</u>	<u>16,600</u>	<u>905,200</u>	<u>18,100</u>
Total Long Term Debt	24,473,600	0	448,200	24,025,400	476,200
Compensated Absences	<u>1,156,623</u>	<u>64,442</u>	<u>117,299</u>	<u>1,103,766</u>	<u>301,008</u>
Total Governmental Activities Long-Term Liabilities	<u>\$25,630,223</u>	<u>\$64,442</u>	<u>\$565,499</u>	<u>\$25,129,166</u>	<u>\$777,208</u>

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

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

<u>Year Ending</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2005	\$440,000	\$1,138,840
2006	465,000	1,121,240
2007	490,000	1,102,273
2008	520,000	1,081,878
2009	550,000	1,059,798
2010-2014	3,290,000	4,899,628
2015-2019	4,515,000	3,909,140
2020-2024	6,095,000	2,560,875
2025-2027	<u>6,250,000</u>	<u>826,833</u>
Totals	<u>\$22,615,000</u>	<u>\$17,700,505</u>

9. LEASES

CAPITAL LEASES

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2005	\$136,361
2006	136,648
2007	125,611
2008	125,904
2009	125,545
2010-2014	627,401
2015-2019	606,599
2020-2024	592,394
2025-2026	<u>236,328</u>
Total Minimum Lease Payments	2,712,791
Less: Amount Representing Interest	<u>(1,302,391)</u>
Present Value of Minimum Lease Payments	<u>\$1,410,400</u>

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

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$361,152, \$355,620, and \$344,256 respectively; 95.9% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5%. 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, 2004, 2003, and 2002 were \$1,291,836, \$1,257,396, and \$1,239,852 respectively; 95.6% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

11. POST EMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$92,408 for the fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$142,033.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of 300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

12. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

LITIGATION

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

13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with A.M. Peck Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverage's provided by A.M. Peck Insurance are as follows:

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

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

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

14. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

15. COMPLIANCE AND ACCOUNTABILITY

Compliance

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

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

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

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. At June 30, 2004, the District's disbursements plus encumbrances exceeded appropriations in the following funds: Career Education, Summer Intervention, Title VI-B, Bond Retirement Fund and the Student Managed Activities Fund.

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 a negative fund balances in the following funds: Auxiliary Service, School Net, School Net Pro, Title I, Title VI-R and Summer Intervention.

Accountability

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue	
SchoolNet Professional Development	\$1,579
Auxiliary Services	6,612
Special Education	10,048
Food Service	5,794

16. FUND BALANCE RESERVES FOR SET-ASIDES

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

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>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2003	(\$1,177,601)	\$ 0	(\$1,177,601)
Current Year Set-aside Requirement	284,048	284,048	568,096
Qualified Disbursements	(296,939)	(600,253)	(897,192)
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>(\$1,190,492)</u>	<u>\$ 0</u>	<u>(\$1,506,697)</u>

Qualifying disbursements and carryover from prior years for textbooks totaled \$1,177,601, resulting in \$1,190,492 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.

17. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2004, 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	\$12,208	\$0	\$0	\$19,908
Special Revenue Funds:				
Extracurricular Student Activities	0	12	0	0
Auxiliary Services	0	10,817	0	0
Data Communications	0	0	12,994	0
SchoolNet Professional Development	0	1,579	2,654	0
Special Education	0	0	0	0
Title I	0	0	0	0
Teacher Quality	0	0	0	0
Food Service	<u>200</u>	<u>0</u>	<u>4,260</u>	<u>0</u>
	<u>\$12,408</u>	<u>\$12,408</u>	<u>\$19,908</u>	<u>\$19,908</u>

18. PRIOR PERIOD ADJUSTMENT

The District reclassified the enterprise funds as special revenue funds because the funds did not operate like a business. The funds required operating grants and transfers from other funds to avoid operating losses.

The beginning net asset/fund balances of district-wide and fund financial statements have been adjusted for the reclassification of enterprise funds and correction to the capital asset detail as follows:

	District-Wide Financial Statements		Fund Financial Statements			
	Governmental Activities	Business Type Activities	General	Other Governmental	Enterprise	Private Purpose Trust
June 30, 2003 Fund Balance / Net						
Assets, as previously stated	\$2,005,697	\$42,581	\$450,929	\$278,002	\$42,581	\$16,984
Enterprise Fund Reclassification	42,581	(42,581)	0	(9,105)	(42,581)	
Building Leases	(1,443,600)	0	0	0	0	0
Capital Asset	50,873	0	0	0	0	0
Private Purpose Fund Reclassification	<u>3,096</u>	<u>0</u>	<u>3,096</u>	<u>0</u>	<u>0</u>	<u>(3,096)</u>
June 30, 2003 Fund balance/ Net						
Assets, as restated	<u>\$658,647</u>	<u>\$0</u>	<u>\$454,025</u>	<u>\$268,897</u>	<u>\$0</u>	<u>\$13,888</u>

The District reclassified the enterprise funds to special revenue funds because the enterprise funds do not operate like a business. The enterprise funds relied on grants and transfers from the general fund to break even.

**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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,951,294	\$10,857,118	\$10,814,788	(\$42,330)
Tuition and Fees	348,960	345,959	344,610	(1,349)
Investment Earnings	26,530	26,302	26,199	(103)
Intergovernmental	7,023,395	6,962,997	6,935,849	(27,148)
Other Revenues	203,347	201,598	200,812	(786)
Total Revenues	<u>18,553,526</u>	<u>18,393,974</u>	<u>18,322,258</u>	<u>(71,716)</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,211,133	10,211,133	9,875,206	335,927
Special	1,550,796	1,550,796	1,499,778	51,018
Vocational	125,321	125,321	121,198	4,123
Support Services:				
Pupil	909,200	909,200	879,289	29,911
Instructional Staff	329,572	329,572	318,730	10,842
General Administration	301,519	301,519	291,600	9,919
School Administration	1,549,983	1,549,983	1,498,992	50,991
Fiscal	358,277	358,277	346,490	11,787
Operations and Maintenance	1,639,278	1,639,278	1,585,349	53,929
Pupil Transportation	289,197	289,197	279,683	9,514
Central	370,182	370,182	358,004	12,178
Extracurricular Activities	373,560	373,560	361,271	12,289
Total Expenditures	<u>18,008,018</u>	<u>18,008,018</u>	<u>17,415,590</u>	<u>592,428</u>
Excess of Revenues Over (Under) Expenditures	<u>545,508</u>	<u>385,956</u>	<u>906,668</u>	<u>520,712</u>
Other financing sources (uses):				
Advances In	24,235	24,027	23,933	(94)
Advances (Out)	(21,360)	(21,360)	(20,657)	703
Transfers (Out)	(20,585)	(20,585)	(19,908)	677
Total Other Financing Sources (Uses)	<u>(17,710)</u>	<u>(17,918)</u>	<u>(16,632)</u>	<u>1,286</u>
Net Change in Fund Balance	527,798	368,038	890,036	521,998
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>349,459</u>	<u>349,459</u>	<u>349,459</u>	<u>0</u>
Fund Balance End of Year	<u>\$877,257</u>	<u>\$717,497</u>	<u>\$1,239,495</u>	<u>\$521,998</u>

See accompanying notes to the required supplementary information.

WYOMING CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2004

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 2004.

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	\$1,596,329
Net Adjustment for Revenue Accruals	(971,144)
Net Adjustment for Expenditure Accruals	318,879
Encumbrances	<u>(54,028)</u>
Budget Basis	<u>\$890,036</u>



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wyoming City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 2005. 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 2004-003 through 2004-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described are material weaknesses. In a separate letter to the District's management dated September 30, 2005 we reported other matters involving the internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2004-001 through 2004-007. In a separate letter to the District's management dated September 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

September 30, 2005

**WYOMING CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding For Recovery

The District's eleven month employee contracts are for the period July 1 to June 30. However, the employees do not report to work until August. This procedure results in employees receiving payment for services that have yet to be provided to the District. Ms. Toadvine worked twenty-four days at a daily rate of \$147.68 (\$18.46 per hour) for the period July 23, 2004 through September 9, 2004 for a total earned salary of \$3,544.32. The District issued four pay checks to Ms. Toadvine in the amount of \$5,123.68 (\$1,280.92 per pay) for the same time period resulting in an overpayment of \$1,579.36.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jean Toadvine, school secretary, in the total amount of \$1,579.86 and in favor of Wyoming City School District.

FINDING NUMBER 2004-002

Finding For Recovery

The Wyoming Education Association Master Contract section 7.1002 provides staff members semi-annual opportunities, September or April 20th, to purchase computers through twenty-four payroll deductions beginning in either October or May. If for any reason a bargaining unit member resigns or is released from employment any outstanding balances for computers is to be deducted from their final paycheck. Ms. Toadvine authorized the Board of Education to deduct \$416.42 for a computer purchase on April 5, 2004. Payroll deductions of \$17.35 began in May of 2004 for the next nine pay periods for a total \$156.15 resulting in a balance due to the District of \$260.27.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Jean Toadvine, school secretary, in the total amount of \$260.27 and in favor of Wyoming City School District.

FINDING NUMBER 2004-003

Noncompliance/Reportable Condition

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

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.

**FINDING NUMBER 2004-003
(Continued)**

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

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

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

General Non-payroll Disbursements

Seventeen percent (17%) of the transactions tested did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Unrecorded Non-payroll Liabilities

Twenty-four percent (24%) of the transactions tested did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Accounts Payable

Forty-five percent (45%) of the transactions tested did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized. In addition, accounts payable as presented in the financial statements exceeded the amount encumbered at year end in the General fund by \$98,548, the Food Service fund by \$904, and Student Managed Activities fund by \$163 indicating a lack of prior certification prior to the obligation date.

**FINDING NUMBER 2004-003
(Continued)**

The fiscal officer cannot properly certify funds are available and free from previous encumbrances when the District fails to properly certify its liabilities. In addition, failure to certify commitments could result in unauthorized expenditures and deficit fund balances. The District should enforce their policy of processing expenditures and initiating a certified purchase order for every transaction to provide assurance that a purchase order is issued before any items or services are ordered. The District should not approve the payment of expenditures when proper procedures are not followed.

FINDING NUMBER 2004-004

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 3313.31, states in part that the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education. Except as otherwise required by law, no treasurer shall be required to verify the accuracy of nonfinancial information or data of the school district.

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

- The District did not maintain an accurate record of all monies received. The accounting records of the District contained several posting errors and lacked correct classification of receipts and expenditures. As a result, those records which were maintained by the Treasurer were not an accurate reflection of all monies received and expended. All of these conditions exhibit a lack of control over the recording and reporting of the District's financial activity.
- The Treasurer posted Homestead and Rollback incorrectly to the General Fund and the Bond Retirement Fund. These errors resulted in audit adjustments to the financial statements presented by the District for audit. We recommend that the Treasurer use due care when posting these receipts.
- The Treasurer posted real estate tax, personal property tax, income tax, and school foundation revenue at net instead of gross. These errors resulted in audit adjustments to the financial statements presented by the District for audit. To properly record the tax revenue and school foundation revenue, the full amount of revenue needs to be recognized and the fees should be reflected as expenditures. Failure to record amounts in the proper fund or for the incorrect amount could cause the District to spend amounts improperly. We recommend the Treasurer post the real estate tax, personal property tax, income tax, and school foundation revenue at gross with the appropriate disbursements posted in relation to the revenue.
- The District did not properly reconcile its bank account during the audit period. Reconciliations were performed but receipts and expenditures were not always posted, there were various cash posting errors, and the District made several year end memo expenditures and posted a receipt with no supporting documentation to correct previous posting errors. The following are the more significant errors noted:

**FINDING NUMBER 2004-004
 (Continued)**

- I. Receipts totaling \$108,684 (General Fund - \$98,627 and Bond Retirement Fund - \$10,057) were not posted to the District's books.
- II. Expenditures associated with the District's school foundation revenue were not posted to the District's books. The District attempted to correct the error with year end memo expenditures; this resulted in excess expenses posted to STRS in an amount totaling \$173,002.
- III. A receipt with no supporting documentation was posted at year end for \$284,876 to correct previous posting errors or lack of posting for financial activities to assist in reconciling the District's books to the bank.
- IV. Tuition revenue deductions reported in the school foundation settlement reports were posted twice by the District totaling \$6,261.

Failure to accurately prepare and reconcile the accounting records reduces the accountability over District funds 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 a reconciliation between the bank balance and computer system balance monthly. The reconciled checking and payroll 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 the reconciliations.

The most significant of the adjustments/reclassifications are listed below:

Fund [Fund Number]	Intergovernmental Revenue as Posted	Net Adjustments & Reclassifications	Adjusted Intergovernmental Revenue
General [001]	6,934,161	(406,334)	6,527,827
Bond Retirement [002]	2,364	207,465	209,829

Fund [Fund Number]	Tax Revenue as Posted	Net Adjustments & Reclassifications	Adjusted Tax Revenue
General [001]	10,814,788	424,074	11,238,862
Bond Retirement [002]	1,494,945	(19,676)	1,514,620

Fund [Fund Number]	Ending Fund Cash Balance at 6/30/04	Net Adjustments	Adjusted Fund Cash Balance at 6/30/04
General [001]	1,334,088	(216,860)	1,117,228
Bond Retirement [002]	459,053	216,860	675,913

FINDING NUMBER 2004-005

Noncompliance/Reportable Condition

Ohio Rev. 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 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 states that monies in a student activity fund are public funds and that fund revenue is unquestionably under the control of the board of education, as the board is required, pursuant to Ohio Rev. Code Section 3315.062 to approve expenditures from student activity funds.

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

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

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

- Thirty-five percent (35%) of the student activity programs reviewed did not have a purpose clause and thirty-eight percent (38%) did not have a budget form.
- Of the purpose clauses completed for student activity programs eight percent (8%) were not signed by the sponsor; thirty-one percent (31%) were not signed by the principal; and seventy-seven percent (77%) were not signed by the superintendent.
- Of the budget forms completed for student activity programs four percent (4%) were not signed by the sponsor; thirty-two percent (32%) were not signed by the principal; and seventy-two percent (72%) were 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, nor were all copies of the pay-ins and deposits slips documenting submittal of the funds collected to the District maintained. Sixty-seven percent (67%) of the pay-ins and/or deposit slips could not be located for review.

**FINDING NUMBER 2004-005
 (Continued)**

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 again recommend that the District implement a formal policy and process for the management and control of student activity programs to address this matter.

FINDING NUMBER 2004-006

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated as provided in such chapter. At June 30, 2004, the District's disbursements plus encumbrances exceeded appropriations in the following funds:

Fund [Fund Number]	Appropriation	Actual Disbursements plus Encumbrances	Disbursements plus Encumbrances in Excess of Appropriations
Career Education [409]	\$2,000	\$3,387	\$1,387
Summer Intervention [460]	0	18,083	18,083
Title VI-B [516]	57,000	201,755	143,980
Bond Retirement Fund [002]	1,691,000	1,708,178	17,178
Student Managed Activities [200]	142,608	214,196	71,415

FINDING NUMBER 2004-007

Noncompliance/Reportable Condition

Ohio Rev. 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 a negative fund balances in the following funds indicating that money from one fund was used to cover the expenses of another fund.

**FINDING NUMBER 2004-007
 (Continued)**

Month and Year	Fund [Fund Number]	Negative Fund Balance
August 2003	Auxiliary Service [401]	\$2,612
August 2003	School Net [451]	12,994
August 2003	School Net Pro [452]	1,654
August 2003	Title I [572]	5,284
August 2003	Title VI-R [590]	4,263
December 2003	School Net Pro [452]	2,654
December 2003	Title I [572]	26,416
April 2004	School Net Pro [452]	2,654
April 2004	Summer Intervention [460]	5,543
April 2004	Title I [572]	30,448

FINDING NUMBER 2004-008

Reportable Condition

The District should maintain an accurate, integrated, comprehensive capital asset listing, including detailed depreciation schedules to assist in the monitoring and management of their capital assets, and adopt, by a board of education resolution, a formal capital asset policy that supports management assertions related to the reporting of capital assets. The District does not maintain a comprehensive capital asset listing or detailed depreciation schedule, nor do they have a formal capital asset policy. The capital asset listing is maintained by Industrial Appraisal Company and is comprised of segments consisting of an outside appraisal report done by Industrial Appraisal Company in 2000, and each subsequent year end additions and deletion data generated from the District's accounting system based on certain uniform school accounting system codes and check amounts. The appraisal report maintained by Industrial Appraisal Company that serves as the District's Capital Asset listing includes items that do not meet the capitalization threshold presented in the notes to the financial statements resulting in the financial statements being adjusted for errors totaling \$628,730, or approximately 26% of the equipment capital asset beginning balance. 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 2004 were not tagged.

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

FINDING NUMBER 2004-009

Reportable Condition

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

- The payroll computer system accrued a negative amount for eighteen percent (18%) of the accrued wages transactions reviewed. The financial statements were adjusted for the system.
- Forty percent (40%) of the employee leave forms reviewed were not on file with either the payroll clerk or the building supervisors.
- For the employees reviewed, ten percent (10%) of their W-4 forms, thirteen percent (13%) of their state and local tax forms, and twenty-three (23%) of their retirement forms were not in their employee files and could not be located.

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

In addition, the District has approximately fourteen employees on eleven month contracts. The District's eleven month employee contracts are for the period July 1 to June 30 however, the employees do not report to work until August. This procedure has resulted in an employee receiving payment for services that have yet to be provided to the District as disclosed in Finding 2004-001 of this report. The District needs to change the payment of their eleven month contracts to prevent the reoccurrence of this situation.



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WYOMING CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2005**