



**Auditor of State
Betty Montgomery**

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

West Carrollton City School District
Montgomery County
430 East Pease Avenue
West Carrollton, Ohio 45449

To the Board of Education:

We have audited the accompanying financial statements of West Carrollton City School District, Montgomery County, (the District), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, and combined fund cash balances of the West Carrollton City School District, Montgomery County, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended on the basis of accounting describe in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education and other officials authorized to receive this report under section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 14, 2003

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Taxes	\$15,836,200		\$419,325	\$883,336	\$17,138,861
Tuition	356,107				356,107
Transportation Fees	92,833				92,833
Earnings on Investments	132,980				132,980
Extracurricular Activities	25,160	196,609			221,769
Classroom Materials and Fees	3,138	91,439			94,577
Miscellaneous Receipts	181,487	145,258			326,745
Total Local Receipts	<u>16,627,905</u>	<u>433,306</u>	<u>419,325</u>	<u>883,336</u>	<u>18,363,872</u>
Unrestricted Grants-In-Aid	12,312,598		47,923	107,136	12,467,657
Restricted Grants-In-Aid	510,855	258,126		60,076	829,057
Total State Receipts	<u>12,823,453</u>	<u>258,126</u>	<u>47,923</u>	<u>167,212</u>	<u>13,296,714</u>
Federal - Restricted Grants-In-Aid		902,103			902,103
Total Cash Receipts	<u>29,451,358</u>	<u>1,593,535</u>	<u>467,248</u>	<u>1,050,548</u>	<u>32,562,689</u>
Cash Disbursements:					
Current:					
Instruction:					
Regular	13,143,325	821,781		50,300	14,015,406
Special	3,225,150	243,927			3,469,077
Vocational	543,063				543,063
Other	881,319				881,319
Total Instruction	<u>17,792,857</u>	<u>1,065,708</u>		<u>50,300</u>	<u>18,908,865</u>
Support Services					
Pupil	1,680,273	386,973			2,067,246
Instructional Staff	1,265,058	192,832			1,457,890
Board of Education	46,707				46,707
Administration	2,515,145	4,873			2,520,018
Fiscal	523,272		5,421	11,246	539,939
Business	428,003				428,003
Operations and Maintenance	2,546,425	31,269		12,530	2,590,224
Pupil Transportation	1,686,866			200,340	1,887,206
Central	100,729	288			101,017
Total Support Services	<u>10,792,478</u>	<u>616,235</u>	<u>5,421</u>	<u>224,116</u>	<u>11,638,250</u>
Operation of Non-Instructional Service:					
Community Services	70,169	372			70,541
Extracurricular Activities:					
Academic & Subject Oriented	59,689	3,832			63,521
Sports Oriented	272,765	71,194			343,959
Co-Curricular Activities	6,236				6,236
Total Extracurricular Activities	<u>338,690</u>	<u>75,026</u>			<u>413,716</u>
Facilities Acquisition & Construction Services:					
Site Improvement	12,923			1,825,940	1,838,863
Building Improvement				2,215	2,215
Total Facilities Acquisition & Construction	<u>12,923</u>			<u>1,828,155</u>	<u>1,841,078</u>
Debt Service:					
Principal Payment	310,495		200,000		510,495
Interest Payment	57,277		78,190		135,467
Total Repayment of Debt	<u>367,772</u>		<u>278,190</u>		<u>645,962</u>
Total Cash Disbursements	<u>29,374,889</u>	<u>1,757,341</u>	<u>283,611</u>	<u>2,102,571</u>	<u>33,518,412</u>
Total Receipts Over/(Under) Disbursements	<u>76,469</u>	<u>(163,806)</u>	<u>183,637</u>	<u>(1,052,023)</u>	<u>(955,723)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		22,358			22,358
Transfers-Out		(22,358)			(22,358)
Advance-In		89,172			89,172
Advance-Out	(89,172)				(89,172)
Refund of Prior Year Expenditures	73,799				73,799
Refund of Prior Year Receipts	(1,199)	(10,561)		(3,450)	(15,210)
Total Other Financing Receipts/(Disbursements)	<u>(16,572)</u>	<u>78,611</u>		<u>(3,450)</u>	<u>58,589</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	59,897	(85,195)	183,637	(1,055,473)	(897,134)
Fund Cash Balance, July 1	<u>3,104,315</u>	<u>525,739</u>	<u>1,702,999</u>	<u>1,248,153</u>	<u>6,581,206</u>
Fund Cash Balance, June 30	<u>\$3,164,212</u>	<u>\$440,544</u>	<u>\$1,886,636</u>	<u>\$192,680</u>	<u>\$5,684,072</u>
Reserves for Encumbrances, June 30	<u>\$186,695</u>	<u>\$77,334</u>		<u>\$171,800</u>	<u>\$435,829</u>

The notes to the financial statements are an integral part of this statement.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non Expendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:					
Charges for Services		\$266,647			\$266,647
Earnings on Investments			\$912		912
Food Services	\$650,214				650,214
Extracurricular Activities				\$80,036	80,036
Classroom Materials and Fees	13,523				13,523
Total Operating Receipts	<u>663,737</u>	<u>266,647</u>	<u>912</u>	<u>80,036</u>	<u>1,011,332</u>
Operating Cash Disbursements:					
Personal Services - Salaries	366,757				366,757
Employees Retirement & Insurance	135,371				135,371
Purchased Services	5,919	198,616		3,492	208,027
Supplies and Materials	355,044			85,261	440,305
Capital Outlay	43,442				43,442
Total Operating Cash Disbursements	<u>906,533</u>	<u>198,616</u>		<u>88,753</u>	<u>1,193,902</u>
Operating Income/(Loss)	<u>(242,796)</u>	<u>68,031</u>	<u>912</u>	<u>(8,717)</u>	<u>(182,570)</u>
Non-Operating Cash Receipts:					
Earnings on Investments	2,989				2,989
Miscellaneous	4,926				4,926
State Sources	12,768				12,768
Federal Sources	243,698				243,698
Total Non-Operating Cash Receipts	<u>264,381</u>				<u>264,381</u>
Excess of Receipts Over/(Under) Disbursements	21,585	68,031	912	(8,717)	81,811
Fund Cash Balances, July 1	201,577	92,421	91,561	60,566	446,125
Fund Cash Balances, June 30	<u>\$223,162</u>	<u>\$160,452</u>	<u>\$92,473</u>	<u>\$51,849</u>	<u>\$527,936</u>
Reserve for Encumbrances, June 30	<u>\$14,123</u>	<u>\$42,603</u>		<u>\$653</u>	<u>\$57,379</u>

The notes to the financial statements are an integral part of this statement.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

Fund Types/Funds	Budget	Actual	Variance Favorable (Unfavorable)
Governmental			
General	\$29,525,157	\$29,525,157	
Special Revenue Funds	1,698,670	1,705,065	6,395
Debt Service Funds	467,248	467,248	
Capital Project Funds	1,050,548	1,050,548	
Proprietary			
Enterprise Funds	928,118	928,118	
Internal Service Funds	266,647	266,647	
Fiduciary			
Non-Expendable Trust	912	912	
Agency	80,036	80,036	
Total (Memorandum Only)	\$34,017,336	\$34,023,731	\$6,395

The notes to the financial statements are an integral part of this statement.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>FY 2003 Appropriations</u>	<u>Total</u>	<u>Actual FY 2003 Disbursements</u>	<u>Encumbrances Outstanding at 30-Jun-03</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental							
General Fund	\$212,688	\$29,439,267	\$29,651,955	\$29,465,260	\$186,695	\$29,651,955	
Special Revenue Funds	115,489	1,745,710	1,861,199	1,790,260	77,334	1,867,594	(6,395)
Debt Service Funds		283,611	283,611	283,611		283,611	
Capital Project Funds	164,923	2,112,898	2,277,821	2,106,021	171,800	2,277,821	
Proprietary							
Enterprise Funds	37,950	882,707	920,657	906,533	14,123	920,656	1
Internal Service Funds	42,603	198,616	241,219	198,616	42,603	241,219	
Fiduciary							
Non-Expendable Trust Funds							
Agency Funds	137	89,269	89,406	88,753	653	89,406	
Total All Funds (Memorandum Only)	<u>\$573,790</u>	<u>\$34,752,078</u>	<u>\$35,325,868</u>	<u>\$34,839,054</u>	<u>\$493,208</u>	<u>\$35,332,262</u>	<u>(\$6,394)</u>

The notes to the financial statements are an integral part of this statement.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The West Carrollton City School District, Montgomery County, (the District), is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The West Carrollton City School District is a city district as defined by Ohio Rev. Code Section 3311.02. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) for FY 2003 was 3,561. The District employed 342 certificated employees and 196 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the Board of Education has the ability to exercise direct operating control.

A. Reporting Entity:

The reporting entity is comprised of the primary District and other organizations that are included to insure that the financial statements of the District are not misleading. The primary District consists of all funds and departments that are not legally separated from the District. For West Carrollton City School District, this includes general operations, food service, and student related activities of the District.

West Carrollton City School District does not have any component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

The more significant of the District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash receipts and disbursements and other financial resources and uses which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund

Internal Service Fund accounts for the financing services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include nonexpendable trust, and agency funds.

B. Basis of Accounting

The District prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the District under the basis of accounting used. By virtue of Ohio Law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow of resource and are intended to be repaid.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for rate determination.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected receipts of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported in the combined statement of receipts - budget and actual reflect the amounts in the certificate of estimated resources that was in effect at the time the final appropriations were passed by the Board during fiscal year 2003.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts, set forth in the most recent certificate of estimated resources.

The budget figures which appear in the combined statement of disbursements and encumbrances compared with expenditure authority represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances:

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve the portion of the applicable appropriation. The District did not encumber all commitments required by Ohio Law.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The unencumbered appropriation balance is carried forward to the succeeding fiscal year and need not be appropriated.

6. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textooks / Instructional Materials	Capital Acquisition	Total
Set-Aside Cash Balance as of June 30, 2002	\$0	\$0	\$0
Qualifying Carry-Over from FY 2002	(402,178)	0	(402,178)
Current Year Set-Aside Requirement	533,993	533,993	1,067,986
Current Year Offsets	0	(990,473)	(990,473)
Current Year Qualifying Expenditures	(892,877)	(2,989,041)	(3,881,918)
Total	(761,062)	(3,445,521)	(4,206,583)
Cash Balance Carried Forward to FY 2004	0	0	0
Qualifying Carry-Over Amounts	(\$761,062)	(\$1,813,972)	(\$2,575,034)

Total qualifying expenditures for textbook activity during the year were \$892,877 and total offsets were \$402,178, which exceeded the required set-aside and reserve balance. Total offset credits and total expenditures for capital activity during the year were \$990,473 and \$2,989,041, respectively, which exceeded the required set-asides and reserve balances. The District had qualifying carry-over amounts to carry forward to fiscal year June 30, 2004 of \$761,062 for Textbooks reserve and \$1,813,972 for Capital Acquisition reserve.

D. Pooled Cash

To improve cash management, the District maintains a cash pool used by all funds. Monies for all funds, including proprietary funds, are maintained in this account. Individual fund integrity is maintained through District records. Interest earnings are allocated as authorized by State statute.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant, and Equipment

Fixed assets acquired or constructed for general government service are recorded as disbursements. Depreciation is not recorded for these fixed assets.

F. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. DEPOSITS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following securities:

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. DEPOSITS (Continued)

- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

At June 30, 2003, the District did not have any investments.

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$6,209,008 and the bank balance was \$7,120,553. The bank balance included a payroll account balance of \$152,884. Of the bank balance \$300,000 was covered by federal depository insurance and \$6,820,553 was covered by collateral held by third party trustees pursuant to Ohio Rev. Code Section 135.181, in specific institutions.

At fiscal year end the District held \$3,000 in petty cash.

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Montgomery County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second-Half Collections		2003 First-Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Residential and Other Real Estate	\$346,224,690	78.0%	\$377,478,290	79.6%
Public Utility	10,786,550	2.4%	11,186,620	2.4%
Tangible Personal Property	87,300,047	19.6%	85,525,985	18.0%
Total Assessed Value	\$444,311,287	100%	\$474,190,895	100%
Tax rate per \$1,000 of assessed valuation	\$62.25		\$62.25	

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. RISK MANAGEMENT

A. Commercial insurance:

The 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. The District contracted with Selective Insurance Company of South Carolina and Harcum-Hyre Insurance Agency for property, commercial crime, commercial inland coverage, fleet insurance, and liability insurance. Coverage's provided by insurance companies are as follows:

Building and Contents-replacement cost (\$ 1,000 deductible)	\$ 75,353,381
Inland marine Coverage (\$1,000 deductible)	2,581,790
Crime Insurance	17,500
Automobile Liability (\$ 1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Self-Insurance:

The District is also self insured for employee dental insurance. The Self-Insurance Fund pays covered claims to services providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self-Insurance Fund cash and investments to the actuarially-measured liabilities at June 30, 2002 and 2003 was not performed since these actuarially-measured liabilities were not prepared by the District actuary.

6. DEFINED BENEFIT PENSION PLANS

A. 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 State Statute 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 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent 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.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 was, \$380,977, \$233,879, and \$177,656, respectively; 56 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

B. State Teachers Retirement System

The District participates in the 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 E. Broad St., Columbus, OH 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 the 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 a 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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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 member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,997,073, \$1,378,156, and \$1,312,580 respectively; 56 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. POSTEMPLOYMENT 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 include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$691,295 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$410,631.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

8. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. EMPLOYEE BENEFITS

A. Compensated Absences (Continued)

Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 300 days for classified personnel and 435 days for certificated personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days for classified employees and 120 days for certificated employees plus one-fourth time of his/her accumulated sick leave in excess of two hundred (200) days up to a maximum of four hundred thirty-five (435) days.

The liability related to unpaid compensated absences is not reflected on the financial statements under the basis of accounting utilized by the District.

B. Life Insurance

The District provides life insurance to all employees through Anthem Life Insurance Company of Indiana.

9. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
School Energy Conservation Bond 1995 - 5.02%	576,848	0	182,099	394,749
School Energy Conservation Note 1998 - 4.75%	663,007	0	48,099	614,908
School Improvement Refunding Bonds - 2000, 5.60% - 6.25%	1,395,000	0	200,000	1,195,000
Bank One Computer Lease 1999, 5.32%	80,323	0	80,297	26
Total Long-Term Obligations	2,715,178	0	510,495	2,204,683

Energy Conservation bonds and notes were issued in June 1995 in the amount of \$1,560,000, and in June 1998 in the amount of \$832,872 for the purpose of remodeling, and thereby improving energy consumption.

In 1999, the District entered into a capital lease with Bank One for computer hardware and software.

In 2000, School Improvement Refunding general obligation bonds were issued in the amount of \$1,795,000.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

Outstanding general obligation bonds and energy conservation bonds and notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2003 are as follows:

Year Ending June 30:	General Obligation Bonds	Energy Conservation Bonds and Notes	Total
2004	266,740	285,144	551,884
2005	265,040	285,154	550,194
2006	243,090	78,341	321,431
2007	226,045	78,340	304,385
2008	170,313	78,340	248,653
2009-2013	264,063	371,909	635,972
Total	1,435,291	1,177,228	2,612,519

10. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technical Center - The Miami Valley Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Miami Valley Career Technical Center at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Cooperative - The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools within geographical boundaries as defined by the SOEPC and to serve as a resource to member districts on matters related to business operations. The SOEPC elects one of its members as Chairperson and another as Vice-Chairperson. An executive committee is comprised of eleven members which include the Chairperson and Vice-Chairperson and a representative from the Fiscal Agent. Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments.

11. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 adverse effect on the overall financial position of the District at June 30, 2003.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. CONTINGENCIES (Continued)

B. Litigation

The District is party to legal proceedings. The District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

C. School Funding Court 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 decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
Food Distribution	10.550	N/A		\$54,716		\$54,716
School Breakfast Program	10.553	05-PU-2002	3,027		3,027	
		05-PU-2003	5,778		5,778	
Total School Breakfast Program			8,805		8,805	
National School Lunch Program	10.555	LL-P1-2002	71,074		71,074	
		LL-P4-2003	163,818		163,818	
Total National School Lunch Program			234,892		234,892	
Total United States Department of Agriculture - Nutrition Cluster			243,697	54,716	243,697	54,716
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SF-2002-P	117,354		40,055	
		6B-SF-2003-P	291,870		289,124	
Total Special Education Grants to States			409,224		329,179	
Special Education Preschool Grants	84.173	PG-S1-2002	27,139		27,139	
		PG-S1-2003	27,235		832	
Total Preschool Grant			54,374		27,971	
Total Special Education Cluster			463,598		357,150	
Title I Grants to Local Education Agencies	84.010	C1-S1-2002	814		5,184	
		C1-S1-2003	114,747		116,096	
Total Title I Grants to Local Education Agencies			115,561		121,280	
Safe and Drug Free Schools and Communities – State Grants	84.186	DR-S1-2001	1,243		1,371	
		DR-S1-2002	12,037		15,432	
		DR-S1-2003	12,729		11,139	
Total Safe and Drug Free Schools and Communities – State Grants			26,009		27,942	
Continuous Improvement	84.276	GR-S2-2000			7,480	
		GR-S2-2001			12,012	
Total Continuous Improvement					19,492	
Eisenhower Professional Development State Grants	84.281	MS-S1-2001			910	
		MS-S1-2002	(4,630)			
Total Eisenhower Professional Development State Grants			(4,630)		910	
Innovative Education Program Strategies	84.298	C2-S1-2001	15,996		19,507	
		C2-S1-2002	(5,897)		20,335	
		C2-S1-2003	16,161		20,841	
Total Innovative Education Program Strategies			26,260		60,683	
Immigration Education Act	84.162	EI-SI-2001			1,564	
		EI-SI-2002			5,300	
Total Immigration Education Act					6,864	
Technology Literacy Challenge Grant	84.318	RF-S1-2003	4,147		4,147	

WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF EDUCATION (Continued)						
Comprehensive School Reform Subsidy	84.332	RF-S1-2001	30,000		34,659	
		RF-S1-2002	62,500		56,960	
		RF-S1-2003			33,836	
Total Comprehensive School Reform Subsidy			92,500		125,455	
Class Size Reduction Subsidy	84.340	CR-S1-2001	34,952		1,422	
		CR-S1-2002	18,656		38,728	
Total Class Size Reduction Subsidy			53,608		40,150	
Assistant Technology Infusion	84.352A	ATS1-2002	(15)			
		ATS2-2002	13,994		12,861	
		ATS3-2002	3,095		2,180	
Total Assistant Technology Infusion			17,074		15,041	
English Language Acquisition Grant	84.365	T3S1-2003	11,832		22,620	
Title II-A	84.367	TRS1-2003	84,455		83,570	
Total United States Department of Education			890,414		885,304	
FEDERAL EMERGENCY MANAGEMENT AGENCY						
<i>Passed Through Ohio Emergency Management Agency</i>						
Public Assistance Grant Program	83.544	DR-1453-OH	6,627		6,627	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Montgomery County Educational Service Center</i>						
CAFS Medicaid	93.778	N/A	7,791		7,791	
<i>Passed Through Ohio Department of Education</i>						
Refugee Children Grant	93.576	RIS1-2001			1,800	
		RIS1-2002			1,710	
		RIS1-2003	1,700		850	
Total Refugee Children Grant			1,700		4,360	
Student Intervention Reimbursement Program	93.558	N/A	96,879		96,879	
Total United States Department of Health and Human Services			106,370		109,030	
Total Federal Financial Assistance			\$1,247,108	\$54,716	\$1,244,658	\$54,716

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNT**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had insignificant food commodities inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching fund is not included on the schedule.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

West Carrollton City School District
Montgomery County
430 East Pease Avenue
West Carrollton, Ohio 45449

To the Board of Education:

We have audited the financial statements of West Carrollton City School District, Montgomery County (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 14, 2003, which noted the District prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2003-001 through 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 14, 2003.

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www.auditor.state.oh.us

West Carrollton City School District
Montgomery County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

November 14, 2003



Auditor of State Betty Montgomery

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

West Carrollton City School District
Montgomery County
430 East Pease Avenue
West Carrollton, Ohio 45449

To the Board of Education:

Compliance

We have audited the compliance of West Carrollton City School District, Montgomery County (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. We noted a certain instance of noncompliance that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated November 14, 2003.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

November 14, 2003

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA #'s 10.550, 10.553, 10.555 Special Education Cluster: CFDA#'s 84.027, 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.41(D) 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 such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

Amounts of less than \$1,000 (\$100 for counties) 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. (HB 454, effective April 7, 2003, increases the \$1,000 limit to \$3,000). This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. (HB 95, effective September 26, 2003, eliminates the \$5,000 limit and the 3 month requirement). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 30% of expenditures tested and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility that District funds will exceed budgetary spending limitations, we recommend that the District's Treasurer certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2003-001
(Continued)**

Additionally, we recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10357-001	Ohio Rev. Code Section 5705.36 - Principal from nonexpendable trust fund must be excluded from the unencumbered balances that are certified	No	Partially Corrected, Repeated in Management Letter.
2002-10357-002	Ohio Rev. Code Section 5705.41 (D) - Fiscal officer certifications	No	Not Corrected – Repeated in current audit as Finding Number 2003-001
2002-10357-003	Ohio Rev. Code Section 5705.39 - Appropriations exceeding total estimated revenue	Yes	
2002-10357-004	Ohio Rev. Code Section 5705.41 (B) – Expenditures exceeding appropriations.	Yes	
2002-10357-005	Ohio Administrative Code Section 117-2-03 (B) - Preparation of annual financial report in accordance with generally accepted accounting principles	No	Not Corrected – Repeated in current audit as Finding Number 2003-002
2001-10357-006	Unable to provide source documentation for extracurricular activity receipts	No	Partially Corrected, Repeated in Management Letter.



**Auditor of State
Betty Montgomery**

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WEST CARROLLTON CITY SCHOOL DISTRICT

MONTGOMERY 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 4, 2003**