

WEST CARROLLTON CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2006

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Education
West Carrollton City School District
430 East Pease Avenue
West Carrollton, Ohio 45449

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 22, 2007

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WEST CARROLLTON CITY SCHOOL DISTRICT

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

Independent Auditor's Report

Board of Education
West Carrollton City School District
430 E Pease Ave
West Carrollton, Ohio 45449

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Carrollton City School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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.

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 follow the modified cash basis of accounting. This 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, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Carrollton City School District, as of June 30, 2006, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 20, 2006

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

This discussion and analysis of the West Carrollton City School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2006, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2006 are as follows:

- Net assets of Governmental activities increased \$1.1 million, or 13.4 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest increase due to the District managing expenditures through conservative budgeting.
- General receipts represent 92.5 percent of the total cash received for Governmental activities during the year. Program specific receipts in the form of charges for services, operating grants and contributions, and capital grants and contributions represent 7.5 percent of total receipts.
- The General Fund and Debt Service Fund, the only major Governmental funds, represent 90.6 percent of the total District funds revenues. The General Fund's fund balance increased \$1.4 million over fiscal year 2005.
- Net assets for enterprise funds increased \$74,002 due to increases in federal and state funding. Charges for enterprise services were not sufficient to cover the cost of operations, however, grants and contributions received from state and local sources offset the operating loss.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of District Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each District program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each District function or business-type activity draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the District into two types of activities:

Governmental activities - Most of the District's basic services are reported here, including instruction, support services, operation and maintenance, pupil transportation and extracurricular activities. State and federal grants and property taxes finance most of these activities. Benefits provided through Governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The District has two business-type activities, food service and uniform school supply. Business-type activities are financed by a fee charged to the customers receiving the service.

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund and Debt Service Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The District has two enterprise funds, the Food Service Fund and the Uniform School Supply Fund. When the services are provided to other department of the District, the service is reported as an internal service fund. The District has two internal service funds which are used to account for employee health-care claims and contract services provided to severe behavioral children.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the Government-wide financial statements because the resources of these funds are not available to support the District's programs.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005 on a cash basis:

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$ 9,559,714	\$ 8,432,692	\$ 359,440	\$ 285,438	\$ 9,919,154	\$ 8,718,130
Total Assets	<u>\$ 9,559,714</u>	<u>\$ 8,432,692</u>	<u>\$ 359,440</u>	<u>\$ 285,438</u>	<u>\$ 9,919,154</u>	<u>\$ 8,718,130</u>
Restricted for:						
Debt Service	\$ 660,420	\$ 903,510	\$ -	\$ -	\$ 660,420	\$ 903,510
Other Purposes	1,033,346	983,243	-	-	1,033,346	983,243
Unrestricted	7,865,948	6,545,939	359,440	285,438	8,225,388	6,831,377
Total Net Assets	<u>\$ 9,559,714</u>	<u>\$ 8,432,692</u>	<u>\$ 359,440</u>	<u>\$ 285,438</u>	<u>\$ 9,919,154</u>	<u>\$ 8,718,130</u>

As mentioned previously, net assets of Governmental activities increased \$1.1 million or 13.4 percent during fiscal year 2006. The primary reason for the increase in cash balances is the District managing expenditures through conservative budgeting. There were no significant increases in revenue or expenditures from the prior year.

Table 2 reflects the changes in net assets in fiscal year 2006 compared to fiscal year 2005.

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

(Table 2)
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 516,157	\$ 509,024	\$ 683,788	\$ 671,787	\$ 1,199,945	\$ 1,180,811
Operating Grants and Contributions	2,141,957	1,795,326	426,155	368,249	2,568,112	2,163,575
Capital Grants and Contributions	101,649	133,169	-	-	101,649	133,169
Total Program Receipts	2,759,763	2,437,519	1,109,943	1,040,036	3,869,706	3,477,555
General Receipts:						
Property and Other Local Taxes	18,678,233	18,733,155	-	-	18,678,233	18,733,155
Grants and Entitlements Not Restricted to Specific Programs	14,554,491	14,488,439	-	-	14,554,491	14,488,439
Sale of Capital Assets	1,330	500	-	-	1,330	500
Interest	504,146	235,490	12,820	5,500	516,966	240,990
Miscellaneous	279,514	278,349	23,670	23,058	303,184	301,407
Total General Receipts	34,017,714	33,735,933	36,490	28,558	34,054,204	33,764,491
Total Receipts	36,777,477	36,173,452	1,146,433	1,068,594	37,923,910	37,242,046
Disbursements:						
Instruction	20,155,981	19,019,258	-	-	20,155,981	19,019,258
Support Services:						
Pupils and Instruction Staff	4,435,704	4,413,988	-	-	4,435,704	4,413,988
Board of Education, Administration, Fiscal and Business	3,877,795	3,781,502	-	-	3,877,795	3,781,502
Plant Operation and Maintenance	3,202,273	2,976,725	-	-	3,202,273	2,976,725
Pupil Transportation	2,171,718	1,769,974	-	-	2,171,718	1,769,974
Central	147,578	166,832	-	-	147,578	166,832
Operation of non-instructional services	852,445	697,199	-	-	852,445	697,199
Extracurricular activities	563,871	555,834	-	-	563,871	555,834
Debt Service	243,090	1,028,232	-	-	243,090	1,028,232
Food Service	-	-	1,055,501	1,019,983	1,055,501	1,019,983
Uniform School Supply	-	-	16,930	7,230	16,930	7,230
Total Disbursements	35,650,455	34,409,544	1,072,431	1,027,213	36,722,886	35,436,757
Increase in Net Assets	1,127,022	1,763,908	74,002	41,381	1,201,024	1,805,289
Net Assets, July 1, 2004	8,432,692	6,668,784	285,438	244,057	8,718,130	6,912,841
Net Assets, June 30, 2005	\$ 9,559,714	\$ 8,432,692	\$ 359,440	\$ 285,438	\$ 9,919,154	\$ 8,718,130

Total program receipts represent only 10.2 percent of total cash receipts and are primarily comprised of restricted intergovernmental receipts such as federal and state grants.

Total general receipts represent 89.8 percent of the District's total cash receipts, and of this amount, 54.9 percent are local taxes. Unrestricted state and federal grants and entitlements make up the balance of the District's general receipts (42.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

Instruction and support services respectively comprise 54.8 and 37.6 percent of the District's expenses for fiscal year 2006.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Fiscal Year 2006		Fiscal Year 2005	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction	\$ 20,155,981	\$(18,733,530)	\$ 19,019,258	\$(17,773,204)
Support Services:				
Pupils and Instructional Staff	4,435,704	(4,122,667)	4,413,988	(4,134,675)
Board of Education, Administration, Fiscal and Business	3,877,795	(3,604,133)	3,781,502	(3,542,229)
Plant Operation and Maintenance	3,202,273	(2,976,282)	2,976,725	(2,788,374)
Pupil Transportation	2,171,718	(2,018,455)	1,769,974	(1,657,980)
Central	147,578	(137,163)	166,832	(156,275)
Operation of Non-instructional Services	852,445	(693,217)	697,199	(532,872)
Extracurricular Activities	563,871	(362,155)	555,834	(358,184)
Debt Service	243,090	(243,090)	1,028,232	(1,028,232)
Total Disbursements	<u>\$ 35,650,455</u>	<u>\$(32,890,692)</u>	<u>\$ 34,409,544</u>	<u>\$(31,972,025)</u>

The dependence upon property and income tax receipts is apparent as 92.3 percent of governmental activities are supported through these general receipts.

Business-type Activities

Business-type activities include food service and uniform school supply. In fiscal year 2006 and 2005, food service operations experienced an operating loss of \$366,021 and \$340,902, respectively. Federal funding was used to offset the operating loss in the food service fund. Uniform school supply operations experienced operating income of \$1,048 in fiscal year 2006 and \$8,534 in the prior year.

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

The District's Funds

Total governmental funds had receipts of \$36,776,147 and disbursements of \$35,613,888. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$1,352,814 as the result of the District closely monitoring expenditures.

The fund balance of the Debt Service fund experienced a decrease of \$243,090. The District is no longer allocating tax revenue to the Debt Service fund because the remaining fund balance of \$660,420 is sufficient to liquidate the principal and interest associated with the District's debt outstanding at year end.

General Fund Budgeting Highlights

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

During fiscal year 2006, the District amended its General Fund budget three times to reflect changing circumstances. Final budgeted receipts were greater than original budgeted receipts due to the difficulty in estimating the increased tax revenue from an operating levy. There was no difference between final budgeted receipts and actual receipts.

Original disbursements were budgeted at \$32,909,472 while final disbursements were budgeted at \$32,401,232. Actual revenues were \$1,059,504 above actual disbursements.

Capital Assets and Debt Administration

Capital Assets

The District is currently tracking its capital assets, however, due to the presentation of the financial statements on a cash basis, the capital asset information has not been presented.

Debt

At June 30, 2006, the District's outstanding debt included \$595,000 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the District's debt, refer to Note 6 to the basic financial statements.

West Carrollton City School District, Montgomery County
Management Discussion and Analysis
For the Year Ended June 30, 2006
(unaudited)

Current Issues

The challenge for all school districts is to provide a quality education to students while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Our reliance on local real estate taxes continues to increase significantly, as the state legislature provides minimal additional funding for schools and continues to shift more of the burden to residential property owners while eliminating our commercial tax base. In May 2006 the District's 5.9 mill operating levy failed. The District is planning to place another operating levy on the May 2007 ballot at a higher millage due to losing a full calendar year of additional revenue when the May 2006 ballot failed.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ryan Slone, Treasurer, West Carrollton City School District, 430 E. Pease Ave., West Carrollton, Ohio 45449.

West Carrollton City School District, Montgomery County

Statement of Net Assets - Modified Cash Basis

June 30, 2006

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 9,559,714</u>	<u>\$ 359,440</u>	<u>\$ 9,919,154</u>
<i>Total Assets</i>	<u><u>\$ 9,559,714</u></u>	<u><u>\$ 359,440</u></u>	<u><u>\$ 9,919,154</u></u>
Net Assets			
Restricted for:			
Debt Service	\$ 660,420	\$ -	\$ 660,420
Other Purposes	1,033,346	-	1,033,346
Unrestricted	<u>7,865,948</u>	<u>359,440</u>	<u>8,225,388</u>
<i>Total Net Assets</i>	<u><u>\$ 9,559,714</u></u>	<u><u>\$ 359,440</u></u>	<u><u>\$ 9,919,154</u></u>

West Carrollton City School District, Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$ 14,058,880	\$ 144,240	\$ 847,925	\$ -	\$ (13,066,715)		\$ (13,066,715)
Special	3,797,373	38,960	229,029	-	(3,529,384)		(3,529,384)
Vocational	348,631	3,577	21,027	-	(324,027)		(324,027)
Other	1,951,097	20,018	117,675	-	(1,813,404)		(1,813,404)
Support Services							
Pupils	2,194,961	22,520	132,383	-	(2,040,058)		(2,040,058)
Instructional Staff	2,240,743	22,989	135,145	-	(2,082,609)		(2,082,609)
Board of Education	31,141	319	1,878	-	(28,944)		(28,944)
Administration	2,818,895	28,921	170,014	-	(2,619,960)		(2,619,960)
Fiscal	605,782	6,215	36,536	-	(563,031)		(563,031)
Business	421,977	4,329	25,450	-	(392,198)		(392,198)
Operation and Maintenance of Plant	3,202,273	32,854	193,137	-	(2,976,282)		(2,976,282)
Pupil Transportation	2,171,718	22,281	130,982	-	(2,018,455)		(2,018,455)
Central	147,578	1,514	8,901	-	(137,163)		(137,163)
Operation of Non-Instructional Services	852,445	8,371	49,208	101,649	(693,217)		(693,217)
Extracurricular Activities	563,871	159,049	42,667	-	(362,155)		(362,155)
Debt Service:							
Principal Payments	200,000	-	-	-	(200,000)		(200,000)
Interest and Fiscal Charges	43,090	-	-	-	(43,090)		(43,090)
<i>Total Governmental Activities</i>	<u>35,650,455</u>	<u>516,157</u>	<u>2,141,957</u>	<u>101,649</u>	<u>(32,890,692)</u>		<u>(32,890,692)</u>
Business Type Activities							
Food Service	1,055,501	665,810	426,155	-		36,464	36,464
Uniform School Supply	16,930	17,978	-	-		1,048	1,048
<i>Total Business Type Activities</i>	<u>1,072,431</u>	<u>683,788</u>	<u>426,155</u>	<u>-</u>		<u>37,512</u>	<u>37,512</u>
Total	<u>\$ 36,722,886</u>	<u>\$ 1,199,945</u>	<u>\$ 2,568,112</u>	<u>\$ 101,649</u>	<u>(32,890,692)</u>	<u>37,512</u>	<u>(32,853,180)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					17,834,644	-	17,834,644
Capital Improvements					843,589	-	843,589
Grants and Entitlements not Restricted to Specific Programs							
Sale of Capital Assets					14,554,491	-	14,554,491
Interest					1,330	-	1,330
Miscellaneous					504,146	12,820	516,966
					279,514	23,670	303,184
<i>Total General Receipts</i>					<u>34,017,714</u>	<u>36,490</u>	<u>34,054,204</u>
Change in Net Assets					1,127,022	74,002	1,201,024
<i>Net Assets Beginning of Year</i>					<u>8,432,692</u>	<u>285,438</u>	<u>8,718,130</u>
<i>Net Assets End of Year</i>					<u>\$ 9,559,714</u>	<u>\$ 359,440</u>	<u>\$ 9,919,154</u>

West Carrollton City School District, Montgomery County

Statement of Assets and Fund Balances- Modified Cash Basis

Governmental Funds

June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 8,066,143	\$ 660,420	\$ 746,653	\$ 9,473,216
<i>Total Assets</i>	<u>\$ 8,066,143</u>	<u>\$ 660,420</u>	<u>\$ 746,653</u>	<u>\$ 9,473,216</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 293,312	\$ -	\$ 244,883	\$ 538,195
Unreserved:				
Undesignated, Reported in:				
General Fund	7,772,831	-	-	7,772,831
Debt Service Fund	-	660,420	-	660,420
Special Revenue Funds	-	-	393,926	393,926
Capital Projects Funds	-	-	6,617	6,617
Permanent Fund	-	-	101,227	101,227
<i>Total Fund Balances</i>	<u>\$ 8,066,143</u>	<u>\$ 660,420</u>	<u>\$ 746,653</u>	<u>\$ 9,473,216</u>

West Carrollton City School District, Montgomery County
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities - Modified Cash Basis
June 30, 2006*

Total Governmental Fund Balances	\$ 9,473,216
---	--------------

*Amounts reported for governmental activities in the statement of
net assets are different because*

Governmental activities' net assets include the internal service
funds' cash and cash equivalents. The proprietary funds'
statements include these assets.

86,498

Net Assets of Governmental Activities

\$ 9,559,714

West Carrollton City School District, Montgomery County

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

For the Year Ended June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$ 17,834,644	\$ -	\$ 843,589	\$ 18,678,233
Intergovernmental	14,554,491	-	2,234,947	16,789,438
Interest	500,597	-	3,549	504,146
Tuition and Fees	258,407	-	104,486	362,893
Extracurricular Activities	23,622	-	129,642	153,264
Gifts and Donations	-	-	8,659	8,659
Miscellaneous	155,752	-	123,762	279,514
Total Receipts	33,327,513	-	3,448,634	36,776,147
Disbursements				
Current:				
Instruction:				
Regular	13,657,384	-	401,496	14,058,880
Special	3,162,768	-	634,605	3,797,373
Vocational	348,631	-	-	348,631
Other	1,865,653	-	85,444	1,951,097
Support Services				
Pupils	1,631,793	-	563,168	2,194,961
Instructional Staff	1,777,187	-	463,556	2,240,743
Board of Education	31,141	-	-	31,141
Administration	2,804,206	-	14,689	2,818,895
Fiscal	594,962	-	10,820	605,782
Business	421,977	-	-	421,977
Operation and Maintenance of Plant	3,191,433	-	10,840	3,202,273
Pupil Transportation	1,969,453	-	202,265	2,171,718
Central	134,927	-	12,651	147,578
Operation of Non-Instructional Services	82,443	-	733,435	815,878
Extracurricular Activities	433,967	-	129,904	563,871
Debt Service				
Principal	-	200,000	-	200,000
Interest	-	43,090	-	43,090
Total Disbursements	32,107,925	243,090	3,262,873	35,613,888
Excess of Receipts Over (Under) Disbursements	1,219,588	(243,090)	185,761	1,162,259
Other Financing Sources (Uses)				
Sale of Capital Assets	1,330	-	-	1,330
Advances In	155,296	-	7,200	162,496
Advances Out	(23,400)	-	(155,296)	(178,696)
Total Other Financing Sources (Uses)	133,226	-	(148,096)	(14,870)
Net Change in Fund Balances	1,352,814	(243,090)	37,665	1,147,389
Fund Balances Beginning of Year	6,713,329	903,510	708,988	8,325,827
Fund Balances End of Year	\$ 8,066,143	\$ 660,420	\$ 746,653	\$ 9,473,216

West Carrollton City School District, Montgomery County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$ 1,147,389
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund revenues (expenses).	<u>(20,367)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u>\$ 1,127,022</u>

West Carrollton City School District, Montgomery County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts				
Property Taxes	\$ 16,609,000	\$ 17,834,644	\$ 17,834,644	\$ -
Intergovernmental	14,796,500	14,554,491	14,554,491	-
Interest	275,000	500,597	500,597	-
Tuition and Fees	217,000	258,407	258,407	-
Extracurricular Activities	25,000	23,622	23,622	-
Contributions and Donations	500	1,000	1,000	-
Miscellaneous	148,500	154,752	154,752	-
<i>Total receipts</i>	<u>32,071,500</u>	<u>33,327,513</u>	<u>33,327,513</u>	<u>-</u>
Disbursements				
Current:				
Instruction:				
Regular	14,132,361	13,758,787	13,758,787	-
Special	2,987,690	3,216,635	3,216,635	-
Vocational	454,012	368,721	368,721	-
Other	1,628,170	1,893,382	1,893,382	-
Support Services:				
Pupil	1,701,622	1,641,228	1,641,228	-
Instructional Staff	1,943,301	1,779,021	1,779,021	-
Board of Education	36,104	31,141	31,141	-
Administration	2,952,437	2,820,986	2,820,986	-
Fiscal	588,271	619,939	619,939	-
Business	448,381	430,766	430,766	-
Operation and Maintenance of Plant	3,347,463	3,214,813	3,214,813	-
Pupil Transportation	2,016,769	1,973,089	1,973,089	-
Central	163,006	136,319	136,319	-
Operation of Non-Instructional Services	159,759	170,836	170,836	-
Extracurricular Activities	350,126	345,569	345,569	-
<i>Total Disbursements</i>	<u>32,909,472</u>	<u>32,401,232</u>	<u>32,401,232</u>	<u>-</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(837,972)</u>	<u>926,281</u>	<u>926,281</u>	<u>-</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	500	1,330	1,330	-
Advances In	205,295	155,294	155,294	-
Advances Out	-	(23,400)	(23,400)	-
<i>Total Other Financing Sources (Uses)</i>	<u>205,795</u>	<u>133,224</u>	<u>133,224</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(632,177)</u>	<u>1,059,505</u>	<u>1,059,505</u>	<u>-</u>
<i>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</i>	<u>6,713,329</u>	<u>6,713,329</u>	<u>6,713,329</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 6,081,152</u>	<u>\$ 7,772,834</u>	<u>\$ 7,772,834</u>	<u>\$ -</u>

West Carrollton City School District
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
June 30, 2006

	Business-Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 359,440	\$ 86,498
<i>Total Assets</i>	<u>\$ 359,440</u>	<u>\$ 86,498</u>
Net Assets		
Unrestricted	<u>\$ 359,440</u>	<u>\$ 86,498</u>

West Carrollton City School District, Montgomery County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended June 30, 2006*

	Business-Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Fund
Operating Receipts		
Charges for Services	\$ 683,788	\$ 52,062
Other Operating Receipts	23,670	-
<i>Total Operating Receipts</i>	<u>707,458</u>	<u>52,062</u>
Operating Disbursements		
Purchased Services	6,943	89,419
Personal Services	409,257	-
Fringe Benefits	187,684	-
Materials and Supplies	442,173	-
Other	2,370	231
Capital Outlay	24,004	-
<i>Total Operating Disbursements</i>	<u>1,072,431</u>	<u>89,650</u>
<i>Operating Loss</i>	<u>(364,973)</u>	<u>(37,588)</u>
Non-Operating Revenues (Expenses)		
Federal Donated Commodities	37,384	-
Intergovernmental	388,771	-
Advances In	-	16,200
Interest	12,820	1,021
<i>Total Non-Operating Revenues (Expenses)</i>	<u>438,975</u>	<u>17,221</u>
<i>Change in Net Assets</i>	74,002	(20,367)
<i>Net Assets Beginning of Year</i>	<u>285,438</u>	<u>106,865</u>
<i>Net Assets End of Year</i>	<u>\$ 359,440</u>	<u>\$ 86,498</u>

West Carrollton City School District, Montgomery County

Statement of Fiduciary Net Assets - Modified Cash Basis

Fiduciary Funds

June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 35,177
<i>Total Assets</i>	<u>35,177</u>
Net Assets	<u>\$ 35,177</u>

West Carrollton City School District, Montgomery County

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 1- DESCRIPTION OF THE 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 District is a city district as defined by Ohio Rev. Code section 3311.02. The District operates under an elected Board of Education and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) for fiscal year 2006 was 3,832. The District employed 293 certificated employees and 185 non-certificated employees.

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

Reporting Entity

The reporting entity is comprised of the primary district and other organizations that are included to ensure 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. The District does not have any component units.

The District is associated with two organizations; Miami Valley Career Technical Center and Southwestern Ohio Educational Purchasing Cooperative, which are defined as jointly governed. These organizations are discussed in Note 11 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to prevent doubling up of receipts and disbursements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct disbursements and program cash receipts for each program or function of the District’s governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

West Carrollton City School District, Montgomery County

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash receipts, which are not classified as program cash receipts, are presented as general cash receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. 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, proprietary and fiduciary.

Governmental Funds

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

General Fund - This 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 purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, long-term debt obligations and related costs.

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

Proprietary Funds

The proprietary funds are used to account for the District's ongoing activities that are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Funds - These funds are used to account for operations that are financed and operated where the intent is that costs of providing services on a continuing basis be recovered or financed primarily through user charges. The District did not have any major enterprise funds.

Internal Service Fund – These funds are used to account for the financing services provided by one department or agency to other department agencies of the District on a cost reimbursement basis. The District's uses two internal service funds to account for employee medical benefits and contract services for severe behavioral children which is financed on a reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no funds, which are classified as trust funds. Agency funds are custodial in nature (cash receipts equal disbursements) and do not involve measurement of results of operations. The District's agency fund is used to account for resources that belong to various student groups in the District.

C. Basis of Accounting

These financial statements are prepared using the modified cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles. 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).

D. Budget Data

All funds, other than agency funds are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the fund level.

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

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Cash and Investments

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.

The District did not have any investments at June 30, 2006.

F. Capital Assets and Depreciation

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis method of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

I. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or do not represent available resources. Unreserved fund balance indicates the portion of fund equity available for appropriation in future periods.

J. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and expenditures or expenses in 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 and uses in governmental funds. Repayment from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements.

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

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 prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year-end, the carrying amount of the District's deposits was \$9,954,331 and the bank balance was \$11,034,015. \$200,000 of the bank balance was covered by federal depository insurance and \$10,834,015 was collateralized with securities held by the pledging financial institution's agent but not in the District's name.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times must be at least 105 percent of the deposits being secured.

The District's investment policy restricts investments to those authorized by State law. At June 30, 2006, the District did not have any investments.

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District.

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Property taxes are reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2004 and are collected in 2005 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 year 2006 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005 on the value as of December 31, 2005. 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 semiannually, 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 County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the District. The County periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005 are available to finance fiscal year 2006 operations. The amount available to advance can vary based on the date the tax bills are sent.

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

	<u>2005 Second-Half Collections</u>		<u>2006 First-Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 377,620,760	84.1%	\$ 412,859,180	86.2%
Public Utility	10,149,290	2.3%	9,482,160	1.9%
Tangible Personal Property	<u>61,268,167</u>	<u>13.6%</u>	<u>56,557,932</u>	<u>11.9%</u>
Total	<u>\$ 449,038,217</u>	<u>100%</u>	<u>\$ 478,899,272</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation	\$68.13		\$68.13	

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 6 - DEBT

Debt outstanding at June 30, 2006 was as follows:

	Principal Outstanding 6/30/2005	Additions	Deletions	Principal Outstanding 6/30/2006	Amounts Due in One Year
School Improvement Refunding Bonds 2000, 5.60% - 6.25%	795,000	-	(200,000)	595,000	195,000
	<u>\$ 795,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 595,000</u>	<u>\$ 195,000</u>

The School Improvement Refunding general obligation bonds were issued to remodel the stadium and auditorium at the high school.

Principal and interest requirements to retire debt obligations outstanding at June 30, 2006 are as follows:

	Principal	Interest
2007	195,000	31,045
2008	150,000	20,313
2009	150,000	10,938
2010	100,000	3,125
	<u>\$ 595,000</u>	<u>\$ 65,421</u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent 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 percent 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 2006, 10.58 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. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$569,594, \$483,470 and \$444,807, respectively. The full amount has been contributed for fiscal year 2006, 2005 and 2004.

B. State Teachers Retirement System

The School 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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 of 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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 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

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

percent for members and 14 percent 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, 2006, 2005 and 2004 were \$2,124,330, \$2,169,368 and \$2,034,886, respectively. The full amount has been contributed for fiscal year 2006, 2005 and 2004.

NOTE 8 – POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 Ohio retirees who participated in the DB or Combined Plans and their 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. All 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, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$163,410 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$261,154.

West Carrollton City School District, Montgomery County

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 9 – 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 the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. The liability associated with these payments are not recorded in the District's financial statements, rather the expenditure will be shown when the payment is made.

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 of accumulated sick leave in excess of 200 days up to a maximum of 435 days.

B. Life Insurance

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

NOTE 10 - RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

Claims have not exceeded coverage in any of the last three years and the District has not decreased the level of coverage from prior years.

NOTE 11 – 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.

West Carrollton City School District, Montgomery County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Southwestern Ohio Educational Purchasing Cooperative

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). SOEPC is made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2006, the District paid \$2,531 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr, Suite 208, Vandalia, Ohio 45377.

NOTE 12 - 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 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 adverse effect on the overall financial position of the District at June 30, 2006.

B. Litigation

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

NOTE 13 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Although the District had qualifying offsets and disbursements during the year that reduced the set-aside amount below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement of future years. Excess disbursements related to the textbook reserve may be carried forward from year to year. 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.

West Carrollton City School District, Montgomery County

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 13 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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.

	Textbooks	Capital Acquisitions	Total
Set - aside Reserve Balance as of June 30, 2005	\$ (1,532,017)	\$ -	\$ (1,532,017)
Current Year Set-aside Requirement	548,987	548,987	1,097,974
Current Year Offsets	-	(843,589)	(843,589)
Qualifying Expenditures	(1,070,051)	(1,855,265)	(2,925,316)
Total	(2,053,081)	(2,149,867)	(4,202,948)
Set - aside Balances Carried Forward to Future Fiscal Years	\$ (2,053,081)	\$ -	\$ (2,053,081)

NOTE 14 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis of accounting, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the cash basis and budget basis is that encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
Cash Basis	\$ 1,352,814
Encumbrances	(293,310)
Budget Basis	\$ 1,059,504

NOTE 15 – INTERFUND BALANCES AND TRANSFERS

During the prior fiscal year the general fund advanced \$155,296 to various state and federal grant funds to cover costs associated with grant operations that are funded on a reimbursement basis. The advanced funds were repaid by the recipient funds during fiscal year 2006. During the current fiscal year the general fund advanced \$23,400 to the internal service fund and federal grant funds to temporarily finance operations. The advance is expected to be repaid in the next fiscal year.

West Carrollton City School District, Montgomery County
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Nutritional Cluster:				
National School Breakfast Program	05-PU	10.553	47,371	47,371
National School Lunch Program	04-PU	10.555	<u>326,703</u>	<u>326,703</u>
Total Nutrition Cluster			<u>374,074</u>	<u>374,074</u>
Food Distribution Program	NN-N1	10.550	37,384	37,384
Total U.S. Department of Agriculture			<u>411,458</u>	<u>411,458</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	427,304	411,509
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	880,977	781,263
Preschool Disabilities Grant	PG-S1	84.173	<u>44,336</u>	<u>40,140</u>
Total Special Education Cluster			<u>925,313</u>	<u>821,403</u>
Drug Free Schools and Communities	DR-S1	84.186	20,624	20,041
21st Century Community Living Centers	T1-S1	84.287	168,284	139,842
Title VI - Innovative Education Grant	C2-S1	84.298	11,061	11,261
Title II-D - Technology	TJ-S1	84.318	7,512	7,761
Comprehensive School Reform	RF-S2	84.332	-	3,449
Title III - Immigrant	T3-S2	84.365	11,711	6,543
Improving Teacher Quality	TR-S1	84.367	<u>117,062</u>	<u>109,832</u>
Total U.S. Department of Education			<u>1,688,871</u>	<u>1,531,641</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>2,100,329</u>	<u>1,943,099</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

West Carrollton City School District, Montgomery County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

1. SIGNIFICANT ACCOUNTING POLICES

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the West Carrollton City School District. The schedule has been prepared on the cash basis of accounting.

2. NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had no significant food commodities in inventory.



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

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Education
West Carrollton City School District
430 E Pease Ave.
West Carrollton, Ohio 45449

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Carrollton City School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2006, wherein we noted the District reported in the format required by the Government Accounting Standards Board No. 34 and on the modified cash basis. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2006-01.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 20, 2006



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

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Education
West Carrollton City School District
430 E Pease Ave
West Carrollton, Ohio 45449

We have audited the compliance of West Carrollton City School District (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, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the 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 Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2006.

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 the internal control over compliance in accordance with OMB Circular A-133.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 20, 2006

WEST CARROLLTON CITY SCHOOL DISTRICT, MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006

1. SUMMARY OF AUDITORS' RESULTS

(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 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):	<u>Nutrition Cluster:</u> CFDA#10.553 CFDA #10.555 CFDA #10.550 – Food Distribution Program CFDA #84.367 – Title II-A
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2006-01
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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 on the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

Management Response

The District has performed a cost benefit analysis of complying with OAC section 117-2-03(B) and determined that it is in the best interest of the District to prepare financial statements on a basis of accounting other than generally accepted accounting principles (GAAP). The District performs this analysis annually and will report on a GAAP basis when it is determined to be beneficial for the District.

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

None

WEST CARROLLTON CITY SCHOOL DISTRICT, MONTGOMERY COUNTY

SCHEDULE OF PRIOR YEAR FINDINGS

OMB CIRCULAR A-133 § .505

JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected	Not corrected; partially corrected; significantly different corrective action taken; or finding no longer valid. Explain:
2005-001	OAC Sec. 117-2-03(B) – Preparation of annual financial report not in accordance with GAAP.	No	Repeated as finding number 2006-01



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 6, 2007**