



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended June 30, 2002.....	3
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, 2002.....	4
Combined Statement of Receipts - Budget and Actual - For the Year Ended June 30, 2002.....	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority For the Year Ended June 30, 2002.....	6
Notes to the Financial Statements	7
Schedule of Federal Awards Receipts and Expenditures.....	23
Notes to the Schedule of Federal Awards Receipts and Expenditures	24
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	25
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	27
Schedule of Findings.....	29
Schedule of Prior Year Findings	34

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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, 2002. 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.

Except as discussed in the following paragraph, 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.

We were not able to obtain documentation supporting the financial activities of the Extracurricular Activities function, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities are included in the Special Revenue and Agency fund types and represent 10 percent and 98 percent of the revenues, respectively, of Special Revenue and Agency fund types.

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 District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, 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, fund equities, and disclosures that, while material cannot be determined at this time.

In our opinion, except for the effects of the matters discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the West Carrollton City School District, Montgomery County, as of June 30, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts 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 December 11, 2002 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 11, 2002

**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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
REVENUES:					
Taxes	\$16,645,488		\$660,641	\$924,335	\$18,230,464
Tuition	100,606				100,606
Transportation Fees	104,342				104,342
Earnings on Investments	180,563				180,563
Extracurricular Activities	27,640	171,743			199,383
Classroom Materials and Fees	3,836	94,348			98,184
Miscellaneous Receipts	120,717	296,597		1,167,500	1,584,814
Total Local Receipts	17,183,192	562,688	660,641	2,091,835	20,498,356
Unrestricted Grants-In-Aid	11,765,800		65,028	96,274	11,927,102
Restricted Grants-In-Aid	139,383	282,851		12,150	434,384
Total State Receipts	11,905,183	282,851	65,028	108,424	12,361,486
Federal - Restricted Grants-In-Aid		851,965			851,965
Total Receipts	29,088,375	1,697,504	725,669	2,200,259	33,711,807
DISBURSEMENTS:					
Current:					
Instruction:					
Regular	12,456,959	585,895		43,488	13,086,342
Special	3,119,760	222,298			3,342,058
Vocational	490,764				490,764
Other	292,528				292,528
Total Instruction	16,360,011	808,193		43,488	17,211,692
Support Services:					
Pupil	1,454,205	334,070			1,788,275
Instructional Staff	1,151,929	175,618			1,327,547
Board of Education	38,026				38,026
Administration	2,450,572	5,102			2,455,674
Fiscal	557,774		9,219	13,086	580,079
Business	387,534				387,534
Operations and Maintenance	2,385,938			55,904	2,441,842
Pupil Transportation	1,540,521			1,765	1,542,286
Central	76,372	2,003			78,375
Total Support Services	10,042,871	516,793	9,219	70,755	10,639,638
Operation of Non-Instructional Service:					
Community Services	60,930	575			61,505
Extracurricular Activities:					
Academic & Subject Oriented	63,820	9,583			73,403
Sports Oriented	246,331	82,907			329,238
Co-Curricular Activities	6,306				6,306
Total Extracurricular Activities	316,457	92,490			408,947
Facilities Acquisition & Construction Services:					
Site Acquisition				1,186,522	1,186,522
Site Improvement	25,840			9,223	35,063
Building Improvement	175				175
Total Facilities Acquisition & Construction	26,015			1,195,745	1,221,760
Debt Service:					
Principal Payment	295,222		385,000		680,222
Interest Payment	72,550		94,446		166,996
Total Repayment of Debt	367,772		479,446		847,218
Total Expenditures	27,174,056	1,418,051	488,665	1,309,988	30,390,760
Excess of Revenues Over (Under) Expenditures	1,914,319	279,453	237,004	890,271	3,321,047
Other Financing Sources (Uses):					
Sale of Fixed Assets	300				300
Transfers-In	12,756	74,722			87,478
Transfers-Out	(130,196)	(82,328)			(212,524)
Advance-In				500,000	500,000
Advance-Out				(500,000)	(500,000)
Refund of Prior Year Expenditures	130,922				130,922
Refund of Prior Year Receipts		(8,831)		(12,000)	(20,831)
Total Other Financing Sources (Uses)	13,782	(16,437)		(12,000)	(14,655)
Excess of Revenues and Other Sources Over/(Under) Expenditures and Other Uses	1,928,101	263,016	237,004	878,271	3,306,392
Beginning Fund Balance, July 1, 2001	1,176,216	262,722	1,465,996	369,881	3,274,815
Ending Fund Balance, June 30, 2002	\$3,104,317	\$525,738	\$1,703,000	\$1,248,152	\$6,581,207

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, 2002**

	<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 RECEIPTS:					
Charges for Services		\$144,254			\$144,254
Earnings on Investments			1,082		1,082
Food Services	684,595				684,595
Extracurricular Activities				80,141	80,141
Classroom Materials and Fees	14,228				14,228
Total Operating Receipts	698,823	144,254	1,082	80,141	924,300
OPERATING EXPENSES:					
Personal Services - Salaries	351,126	182,630			533,756
Employees Retirement & Insurance	93,349	27,298			120,647
Purchased Services	4,949	288,812			293,761
Supplies and Materials	383,865			80,396	464,261
Capital Outlay	48,921				48,921
Other Objects		121	800		921
Total Operating Expenses	882,210	498,861	800	80,396	1,462,267
Excess of Operating Revenues Over/(Under) Operating Expenses	(183,387)	(354,607)	282	(255)	(537,967)
NON-OPERATING RECEIPTS/DISBURSEMENTS					
Transfers-In		130,196		1,326	131,522
Transfers-Out				(6,476)	(6,476)
Earnings on Investments		101			101
Miscellaneous	3,894	269,425			273,319
Sale of Fixed Assets					
State Sources	11,730				11,730
Federal Sources	232,526				232,526
Total Non-Operating Revenues	248,150	399,722		(5,150)	642,722
Excess of Receipts Over/(Under) Expenses	64,763	45,115	282	(5,405)	104,755
Beginning Fund Balance, July 1, 2001	136,813	47,306	91,279	65,971	341,369
Ending Fund Balance, June 30, 2002	\$201,576	\$92,421	\$91,561	\$60,566	\$446,124

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, 2002**

Fund Types/Funds	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$29,232,352	\$29,232,353	\$1
Special Revenue Funds	1,772,226	1,772,226	
Debt Service Funds	725,669	725,669	
Capital Project Funds	2,700,259	2,700,259	
Proprietary			
Enterprise Funds	946,973	946,973	
Internal Service Funds	543,975	543,976	1
Fiduciary			
Non-Expendable Trust Fund	1,082	1,082	
Agency	81,467	81,467	
Total (Memorandum Only)	<u><u>\$36,004,003</u></u>	<u><u>\$36,004,005</u></u>	<u><u>\$2</u></u>

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, 2002**

Fund Types/Funds	Prior Year Carryover Appropriations	FY 2002 Appropriations	Total	Actual FY 2002 Disbursements	Encumbrances Outstanding at June 30, 2002	Total	Variance Favorable (Unfavorable)
Governmental							
General Fund	\$303,827	\$27,213,114	\$27,516,941	\$27,304,252	\$212,688	\$27,516,940	\$1
Special Revenue Funds	120,109	1,504,589	1,624,698	1,509,210	115,489	1,624,699	(1)
Debt Service Funds		488,665	488,665	488,665		488,665	
Capital Project Funds	61,338	1,925,573	1,986,911	1,821,988	164,923	1,986,911	
Proprietary							
Enterprise Funds	34,286	885,874	920,160	882,210	37,950	920,160	
Internal Service Funds		541,464	541,464	498,861	42,603	541,464	
Fiduciary							
Non-Expendable Trust Funds		800	800	800		800	
Agency Fund	7,275	79,734	87,009	86,872	137	87,009	
Total All Funds (Memorandum Only)	<u>\$526,835</u>	<u>\$32,639,813</u>	<u>\$33,166,648</u>	<u>\$32,592,858</u>	<u>\$573,790</u>	<u>\$33,166,648</u>	<u>\$0</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, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The West Carrollton City School District, Montgomery County, (the School 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 2002 was 3,725. The District employed 307 certificated employees and 168 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 School District are not misleading. The primary District consists of all funds and departments that are not legally separated from the School District. For West Carrollton City School District, this includes general operations, food service, and student related activities of the School 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 on the basis of accounting formerly prescribed or permitted by the Auditor of State. 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, as formerly prescribed or permitted by the Auditor of State.

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

A. Basis of Presentation - Fund Accounting

The School 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 School 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, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial statement presentation purposes, the various funds of the School 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 School District are financed. The acquisition, use, and balances of the School 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 School District's governmental fund types:

General Fund

The General Fund is the operating fund of the School 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 School 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 School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds

Enterprise Funds are used to account for School 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, 2002
(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 School District on a cost reimbursement basis.

3. Fiduciary Fund Types:

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

B. Basis of Accounting

The District prepares its financial statements on a basis of accounting formerly permitted by the Auditor of State. 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 object level within each function. 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, 2002
(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 School 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 School 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 2002.

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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels 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 School 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.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(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, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance				
As of June 30, 2001			\$98,369	\$98,369
Current Year Set-aside Requirement	\$480,267	\$480,267		960,534
Current Year Offsets		(990,792)		(990,792)
Current Year Qualifying Expenditures	(873,026)	(2,165,516)		(3,038,542)
Qualifying Carry Over from FY 2001	(9,419)			(9,419)
Transfer to Unreserved/Undesignated			(98,369)	(98,369)
Total	<u>(\$402,178)</u>	<u>(\$2,676,041)</u>		<u>(\$3,078,219)</u>
Cash Balance Carried Forward to FY 2002				
Qualifying Carry-Over Amounts to FY 2003	(\$402,178)	(\$1,813,972)		(\$2,216,150)

Total qualifying expenditures for textbook activity during the year were \$873,026 and total offsets were \$9,419, which exceeded the required set-aside and reserve balance. Total offset credits and total expenditures for capital activity during the year were \$990,792 and \$2,165,516, 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, 2003 of \$402,178 for Textbooks reserve and \$1,813,972 for Capital Acquisition reserve.

Senate Bill 345 provides that the budget set-aside may, at the Board's direction, be returned to the District's General Fund or be retained in the Reserve to offset a future budget deficit. The District transferred \$98,369 to the general fund, to be spent on textbooks and instruction as defined by HB 412.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Pooled Cash and Investments

To improve cash management, the School District maintains a cash and investment pool used by all funds. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances". During fiscal year 2002, investments were limited to repurchase agreements. All investments of the School District had a maturity of two years or less. Investment earnings are allocated as authorized by State statute.

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 AND INVESTMENTS

State statutes classify monies held by the School 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 School 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 School 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.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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;
- 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 School 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.

During fiscal year 2002, the School District's investments were limited to overnight repurchase agreements. During the fiscal year, all investments of the School District had a maturity of two years or less.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements."

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$6,748,331 and the bank balance was \$7,765,688. The bank balance included a payroll account balance of \$150,883. Of the bank balance \$300,000 was covered by federal depository insurance and \$7,465,688 was covered by collateral held by third party trustees pursuant to Ohio Rev. Code Section 135.181, in specific institutions.

Investments: The District's investments are categorized on the following page to give an indication of the level of risk assumed by the entity at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the District's name.

	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$ 279,000	\$ 279,000	\$ 285,067

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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.

Tangible personal property taxes paid by multi-county taxpayers are due December 16. 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 December 16.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 First- Half Collections</u>		<u>2002 Second- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 350,549,940	77.6%	\$ 346,224,690	78.0%
Public Utility	13,546,910	3.0%	10,786,550	2.4%
Tangible Personal Property	<u>87,428,885</u>	<u>19.4%</u>	<u>87,300,047</u>	<u>19.6%</u>
Total Assessed Value	<u>\$ 451,525,735</u>	<u>100%</u>	<u>\$444,311,287</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$ 63.24		\$62.25	

5. RISK MANAGEMENT

A. Commercial insurance:

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Nationwide Mutual Fire Insurance Company for property, commercial crime, mechanical, electrical and pressure equipment coverage, commercial inland coverage, and fleet insurance, Nationwide Mutual Insurance Company for liability and boiler and machinery insurance. Coverage's provided by insurance companies are as follows:

Building and Contents-replacement cost (\$ 1,000 deductible)	\$ 70,469,800
Inland marine Coverage (\$ 100 deductible)	404,694
Boiler and Machinery (\$ 1,000 deductible)	18,904,600
Crime Insurance	10,000 to 20,000
Automobile Liability (\$ 1,000 deductible)	1,000,000
Uninsured Motorists (\$ 250 deductible)	1,000,000
Hired-Excess	1,000,000
Non-Owned-Primary	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

B. Self-Insurance:

The School 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, 2001 and 2002 was not performed since these actuarially-measured liabilities were not prepared by the School District actuary.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was 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, 2002, 2001, and 2000 were \$233,879, \$177,656, and \$242,092, respectively; 55 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,378,156, \$1,312,580, and \$826,755, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. POSTEMPLOYMENT BENEFITS

The School 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$652,811 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 million. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54% percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, 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 2002 fiscal year equaled \$365,811.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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. 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 School District.

B. Life Insurance

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

9. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
Junior High Remodeling - 1977 5.25%	\$185,000		\$185,000	
School Energy Conservation Note 1995 – 5.05%	750,049		173,201	\$576,848
School Energy Conservation Note 1998 – 4.75%	708,879		45,872	663,007
School Improvement Refunding Bonds - 2000, 5.60% thru 6.25%	1,595,000		200,000	1,395,000
Bank One Computer Lease - 1999, 5.32%	<u>156,472</u>	<u>0</u>	<u>76,149</u>	<u>80,323</u>
Total Long-Term Obligations	<u>\$3,395,400</u>	<u>\$ 0</u>	<u>\$680,222</u>	<u>\$2,715,178</u>

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

In 1977, Junior High Addition general obligation bonds were issued for improving and adding to the Junior High school buildings and providing for equipment, furnishings, and site improvements.

Energy Conservation general obligation 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 schools in the District, and thereby improving energy consumption.

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

Outstanding general obligation 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, 2002 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds	General Obligation Notes	Capital Lease	Total
2003	\$278,290	\$285,144	\$75,746	\$639,180
2004	266,740	285,144		551,884
2005	265,040	285,144		550,184
2006	243,090	78,340		321,430
2007	226,045	78,340		304,385
2008-2012	434,375	391,700		826,075
2013	<u>0</u>	<u>78,340</u>	<u>0</u>	<u>78,340</u>
Total	<u>\$1,713,580</u>	<u>\$1,482,152</u>	<u>\$75,746</u>	<u>\$3,271,478</u>

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 School 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.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. CONTINGENCIES

A. Grants

The School 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 School District at June 30, 2002.

B. Litigation

The School District is party to legal proceedings. The School 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 School 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 plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

As of the date of these financial statements, the School 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**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. ACCOUNTABILITY

The School District is required to disclose instances of significant violations of finance related legal provisions. During the audit period the School District was found to be in violation of the following provisions:

Ohio Rev. Code Section 5705.36 states that the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code Section 5705.131 must also be excluded from the amount of unencumbered balances that are certified. The District did not remove the fiscal year end 2001 principal balance of the nonexpendable trust fund from the amount of unencumbered balances that were certified for fiscal year 2002.

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. 32% of District expenditures selected for testing tested were not properly certified prior to incurring obligations, which was in violation of the abovementioned section of the Ohio Revised Code.

Ohio Admin. Code Section 117-2-03 (B) requires, as of the fiscal year that ended June 30, 1996, all school districts to prepare their annual financial report (but not necessarily account) in accordance with accounting principles generally accepted in the United States of America (unless a waiver has been granted by the Auditor of State). The District did not prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. Nor did the District receive a waiver from Auditor of State granting permission to prepare its annual financial report on a cash basis.

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue. At December 31, 2001 and June 30, 2002, the following funds had appropriations in excess of the amount certified as available by the budget commission:

Fund	Estimated Resources as of December 31, 2001	Appropriations as of December 31, 2001	Variances
GENERAL FUND	\$ 25,915,542	\$ 26,512,399	(\$ 596,857)
SPECIAL REVENUE FUNDS:			
Public Schools Fund	227,967	300,000	(72,033)
Title 1 Fund	35,324	278,200	(242,975)
Title VI-B Fund	10,103	19,528	(9,425)
Reducing Class Size Fund	0	49,932	(49,932)

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. ACCOUNTABILITY (Continued)

Fund	Estimated Resources as of June 30, 2002	Appropriations as of June 30, 2002	Variances
SPECIAL REVENUE FUNDS:			
Title VI-B Fund	\$260,646	\$319,240	(\$58,594)
Title 1 Fund	274,707	302,328	(27,621)
Title VI Fund	9,915	14,274	(4,359)
Preschool Disability Grant Fund	8,324	19,492	(11,168)
Reducing Class Size Fund	61,902	68,967	(7,065)

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2001, the following funds had expenditures in excess of their appropriations at the legal level of control:

Fund	Outstanding Encumbrances Plus Actual Expenditures as of December 31, 2001	Prior Year's Carryover Appropriations Plus Current Year's Appropriations as of December 31, 2001	Variances
SPECIAL REVENUE FUNDS:			
Principal Fund	\$196,683	\$138,071	(\$57,612)
Miscellaneous Fund	40,914	121	(40,793)
Career Development Fund	3,229	1,258	(1,971)
Teacher Development Fund	3,139	412	(2,727)
School Net Equipment Fund	55,488	0	(55,488)
Ohio School Net	4,000	0	(4,000)
Ohio Read Fund	22,919	12,178	(10,741)
Ohio Read Classroom Fund	3,904	529	(3,375)
Eisenhower Grant Fund	19,816	14,470	(5,346)
Emergency Immigration Fund	1,598	0	(1,598)
Preschool Disability Fund	8,324	0	(8,324)
Goal 2000 Fund	7,891	4,263	(3,628)
School-to Work Fund	8,824	0	(8,824)
CAPITAL PROJECT FUNDS:			
Permanent Improvement Fund	1,124,489	952,850	(171,639)

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

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		\$21,313		\$23,855
School Breakfast Program	10.553	05-PU-2001 05-PU-2002	3,178 <u>8,572</u>		3,178 <u>8,572</u>	
			11,750		11,750	
National School Lunch Program	10.555	LL-P1-2001 LL-P4-2001 LL-P4-2002	18,539 39,638 <u>162,599</u>		18,539 39,638 <u>162,599</u>	
Total National School Lunch Program			<u>220,776</u>		<u>220,776</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>232,526</u>	21,313	<u>232,526</u>	23,855
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-2001-P 6B-SF-2002-P	99,950 <u>173,872</u>		99,950 <u>251,171</u>	
Total Special Education Grants to States			<u>273,822</u>		<u>351,121</u>	
Special Education Preschool Grants	84.173	PG-S1-1999	<u>(8,324)</u>			
Total Special Education Cluster			<u>265,498</u>		<u>351,121</u>	
Title I Grants to Local Education Agencies	84.010	C1-SD-2001 C1-S1-2002	203,299 <u>198,315</u>		203,299 <u>179,191</u>	
Total Title I Grants to Local Education Agencies			<u>401,614</u>		<u>382,490</u>	
Safe and Drug Free Schools and Communities – State Grants	84.186	DR-S1-2000 DR-S1-2001 DR-S1-2002	(8,037) 15,012 <u>3,395</u>		14,884	
Total Safe and Drug Free Schools and Communities – State Grants			<u>10,370</u>		<u>14,884</u>	
Continuous Improvement	84.276	GR-S2-2001	15,000		2,988	
Eisenhower Professional Development State Grants	84.281	MS-S1-2000 MS-S1-2001 MS-S1-2002	9,337 12,681 <u>13,748</u>		3,183 10,957 <u>8,558</u>	
Total Eisenhower Professional Development State Grants			<u>35,766</u>		<u>22,698</u>	
Innovative Education Program Strategies	84.298	C2-S1-2000 C2-S1-2001 C2-S1-2002	(6,206) 3,511 <u>5,897</u>			
Total Innovative Education Program Strategies			<u>3,202</u>			
Immigration Education Act	84.162	EI-SI-2002	5,300			
Comprehensive School Reform Subsidy	84.332	RF-S1-2001	45,000		40,341	
Class Size Reduction Subsidy	84.340	CR-S1-2000 CR-S1-2001 CR-S1-2002	(6,635) 14,980 <u>40,529</u>		10,093 35,725 <u>20,457</u>	
			48,874		66,275	
Assistant Technology Infusion	84.352A	ATS1-2002	11,307		11,292	
Refugee Children Grant	93.576	RIS1-2002	<u>1,710</u>			
Total United States Department of Education			<u>843,641</u>		<u>892,089</u>	
UNITED STATES DEPARTMENT OF HUMAN SERVICES						
<i>Passed Through Montgomery County Educational Service Center</i>						
CAFS Medicaid	93.778	N/A	<u>7,602</u>		<u>7,602</u>	
Total Federal Financial Assistance			<u>\$1,083,769</u>	<u>\$21,313</u>	<u>\$1,132,217</u>	<u>\$23,855</u>

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

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

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, 2002, the District had insignificant food commodities inventory.

NOTE C - MATCHING REQUIREMENTS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS 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, 2002, and have issued our report thereon dated December 11, 2002, wherein we noted that the District prepares its financial statements on the basis of accounting formerly prescribed by the Auditor of State which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted that we were unable to obtain documentation supporting the financial activities of the Extracurricular Activities function, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Except for the matters referred to in the preceding two sentences, 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 2002-10357-001 through 2002-10357-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 11, 2002.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-10357-006.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, item 2002-10357-006, to be a material weakness. We also 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 December 11, 2002.

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.



Jim Petro
Auditor of State

December 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR 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, 2002. 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, 2002. However, we noted certain instances of noncompliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 11, 2002.

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.



Jim Petro
Auditor of State

December 11, 2002

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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 Title 1: CFDA# 84.010
(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 2002-10357-001

Ohio Rev. Code Section 5705.36 states that the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code Section 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

The District did not remove the fiscal year end 2001 principal balance of the nonexpendable trust fund from the amount of unencumbered balances that were certified for fiscal year 2002. This resulted in cash available for appropriations in fiscal year 2002, in the nonexpendable trust fund, being overstated by \$72,285. The District should remove the principal of the nonexpendable trust fund from the Certificate of Available Revenue prior to certification so that the principal amount is not appropriated.

FINDING NUMBER 2002-10357-002

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificates: This exception provides that, if the fiscal officer can certify that at both the time that the contract or order was made, and at the time he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate an otherwise applicable requirement for approval of expenditures by the taxing authority.

The Auditor of State has indicated that 32% of expenditures selected for testing were not properly certified prior to incurring obligations, which was in violation of the abovementioned section of the Ohio Revised Code. The District did not use the above stated exception. The District should verify that fiscal officer's certificates are properly executed prior to incurring obligations.

FINDING NUMBER 2002-10357-003

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue. At December 31, 2001 and June 30, 2002, the following funds had appropriations in excess of the amount certified as available by the budget commission:

**FINDING NUMBER 2002-10357-003
 (Continued)**

Fund	Total Estimated Resources as of December 31, 2001	Total Appropriations as of December 31, 2001	Variances
GENERAL FUND	\$ 25,915,542	\$ 26,512,399	(\$ 596,857)
SPECIAL REVENUE FUNDS:			
Public Schools Fund	227,967	300,000	(72,033)
Title 1 Fund	35,324	278,200	(242,876)
Title VI-B Fund	10,103	19,528	(9,425)
Reducing Class Size Fund	0	49,932	(49,932)

Fund	Estimated Resources As of June 30, 2002	Appropriations as of June 30, 2002	Variances
SPECIAL REVENUE FUNDS:			
Title VI-B Fund	260,646	319,240	(\$58,594)
Title 1 Fund	274,707	302,328	(27,621)
Title VI Fund	9,915	14,274	(4,359)
Preschool Disability Grant Fund	8,324	19,492	(11,168)
Reducing Class Size Fund	61,902	68,967	(7,065)

The District should monitor appropriations and estimated revenue throughout the fiscal year, making budgetary amendments as needed to be in compliance with this section of Ohio Revised Code. Implementing these procedures will reduce the risk that expenditures will exceed available resources.

FINDING NUMBER 2002-10357-004

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2001, the following funds had expenditures in excess of their appropriations at the legal level of control:

FINDING NUMBER 2002-10357-004
 (Continued)

Fund	Outstanding Encumbrances Plus Actual Expenditures as of December 31, 2001	Prior Year's Carryover Appropriations Plus Current Year's Appropriations as of December 31, 2001	Variances
SPECIAL REVENUE FUNDS:			
Principal Fund	196,683	138,071	(58,612)
Miscellaneous Fund	40,914	121	(40,793)
Career Development Fund	3,229	1,258	(1,971)
Teacher Development Fund	3,139	412	(2,727)
School Net Equipment Fund	55,488	0	(55,488)
Ohio School Net	4,000	0	(4,000)
Ohio Read Fund	22,919	12,178	(10,741)
Ohio Read Classroom Fund	3,904	529	(3,375)
Eisenhower Grant Fund	19,816	14,470	(5,346)
Emergency Immigration Fund	1,598	0	(1,598)
Preschool Disability Fund	8,324	0	(8,324)
Goal 2000 Fund	7,891	4,263	(3,628)
School-to Work Fund	8,824	0	(8,824)
CAPITAL PROJECT FUNDS:			
Permanent Improvement Fund	1,124,489	952,850	(171,639)

The District should monitor appropriations and expenditures throughout the fiscal year, making budgetary amendments as needed to be in compliance with this section of Ohio Revised Code. Implementing these procedures will reduce the risk that expenditures will be made without appropriations.

FINDING NUMBER 2002-10357-005

Ohio Admin. Code Section 117-2-03 (B) requires, as of the fiscal year that ended June 30, 1996, all school districts to prepare their annual financial report (but not necessarily account) in accordance with accounting principles generally accepted in the United States of America (unless a waiver has been granted by the Auditor of State). The District did not prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. Nor did the District receive a waiver from Auditor of State granting permission to prepare its annual financial report on a cash basis. Failure to prepare the annual financial report in accordance with accounting principles generally accepted in the United States of America could result in significant assets, liabilities, and fund equities not being disclosed to the reader of the annual financial report. In addition this report is being referred to Ohio Department of Education, as this condition could be sufficient to place the District in fiscal caution.

To comply with abovementioned Section of Code and to allow significant assets, liabilities, and fund equities to be disclosed to the reader of the annual financial report, it is recommended that the District prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

FINDING NUMBER 2002-10357-006

Reportable Condition / Material Condition

During the period tested, the District was unable to provide source documentation for 47% of the extracurricular activity receipts recorded in the Special Revenue Fund and 74% of the extracurricular activity receipts recorded in the Agency Fund. Failure to properly account for extracurricular activity receipts could result in extracurricular revenue being understated in the financial statements and funds being misappropriated and not detected by the District.

The District should create and implement an extracurricular activity events cash management policy, to include, the use of "sales project potential forms" to document receipts collected. The District should also require all source documentation used to support monies collected at extracurricular events be maintained and made available for inspection by the Treasurer. These procedures will help establish proper accountability over monies collected at extracurricular events.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None.

**WEST CARROLLTON CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2002**

Finding <u>Number</u>	Finding <u>Summary</u>	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid; Explain:</u>
2001- 10357- 001	Ohio Rev. Code Section 5705.36 - Principal from nonexpendable trust fund must be excluded from the unencumbered balances that are certified	No	Not Corrected - Repeat finding in FY 2002
2001- 10357- 002	Ohio Rev. Code Section 5705.41 (D) - Fiscal officer certifications	No	Not Corrected - Repeat finding in FY 2002
2001- 10357- 003	Ohio Administrative Code Section 117-2-03 (B) - Preparation of annual financial report in accordance with generally accepted accounting principles	No	Not Corrected - Repeat finding in FY 2002
2001- 10357- 004	Ohio Rev. Code Section 5705.39 - Appropriations exceeding total estimated revenue	No	Not Corrected - Repeat finding in FY 2002
2001- 10357- 005	Ohio Rev. Code Section 5705.10 – Money paid into a fund must be used for only the purposes for which such fund has been established	No	Not Corrected - Repeat finding in FY 2002 Management Letter
2001- 10357- 006	Unable to provide source documentation for extracurricular activity receipts	No	Not Corrected - Repeat finding in FY 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 31, 2002**