



Mary Taylor, CPA
Auditor of State

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

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**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wilmington City School District
Clinton County
341 S. Nelson Avenue
Wilmington, Ohio 45177

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditure schedule is 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 basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

May 27, 2009

**Wilmington City School District
Management's Discussion and Analysis
For the fiscal year ended June 30, 2008
(Unaudited)**

The discussion and analysis of Wilmington City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities increased \$933,109 which represents a 6% increase from 2007.
- General revenues accounted for \$25,460,974 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,334,940 or 15% of total revenues of \$29,795,914 .
- The District had \$28,862,805 in expenses related to governmental activities; \$4,334,940 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$25,460,974 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2008.” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

In the Government-wide Financial Statements, the District presents only:

- Governmental Activities – All of the District’s programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

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

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

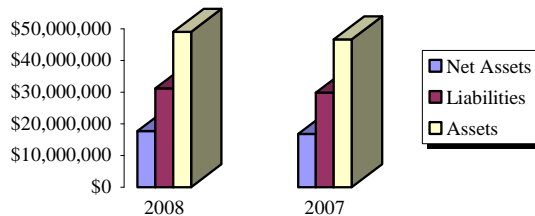
Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs.

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

Table 1
Net Assets

	Governmental Activities	
	2008	2007
Assets:		
Current and Other Assets	\$31,031,588	\$28,677,003
Capital Assets	17,916,590	17,930,483
Total Assets	48,948,178	46,607,486
Liabilities:		
Other Liabilities	19,317,346	18,228,289
Long-Term Liabilities	11,892,220	11,573,694
Total Liabilities	31,209,566	29,801,983
Net Assets:		
Invested in Capital Assets, Net of Related Debt	7,161,483	7,274,121
Restricted	4,696,454	3,825,335
Unrestricted	5,880,675	5,706,047
Total Net Assets	\$17,738,612	\$16,805,503



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$17,738,612 .

At year-end, capital assets represented 37% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2008, was \$7,161,483 . These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,696,454 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Net assets of governmental activities increased from 2007 to 2008, which represents an overall improvement in financial position. Current and other assets increased mainly due to the increase in bank balance in 2008 compared to 2007. Other liabilities increased from prior year due to an increase in unearned revenue, which was mainly due to a corresponding increase in taxes receivable.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues		
Charges for Services	\$1,412,351	\$1,326,173
Operating Grants, Contributions	2,893,434	1,705,933
Capital Grants and Contributions	29,155	20,068
General Revenues:		
Income Taxes	4,035,004	3,841,490
Property Taxes	11,164,272	12,063,664
Grants and Entitlements	9,689,135	9,227,853
Other	572,563	1,037,406
Total Revenues	<u>29,795,914</u>	<u>29,222,587</u>
Program Expenses:		
Instruction	17,133,424	16,754,381
Support Services:		
Pupil and Instructional Staff	2,789,964	2,732,065
School Administrative, General		
Administration, Fiscal and Business	3,064,778	2,936,698
Operations and Maintenance	1,901,844	2,300,903
Pupil Transportation	1,369,149	1,267,214
Central	268,437	238,635
Operation of Non-Instructional Services	1,333,756	1,278,671
Extracurricular Activities	586,763	543,895
Interest and Fiscal Charges	414,690	453,800
Total Program Expenses	<u>28,862,805</u>	<u>28,506,262</u>
Change in Net Assets	933,109	716,325
Net Assets Beginning of Year	<u>16,805,503</u>	<u>16,089,178</u>
Net Assets End of Year	<u><u>\$17,738,612</u></u>	<u><u>\$16,805,503</u></u>

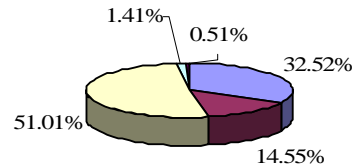
The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt services, and capital projects purposes and grants and entitlements comprised 81% of the District's revenues for governmental activities.

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

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property and Income taxes made up 51% of revenue for governmental activities for the District in fiscal year 2008.

Make up of revenues for the District:

<u>Revenue Sources</u>	<u>2008</u>	<u>Percent of Total</u>
General Grants	\$9,689,135	32.52%
Program Revenues	4,334,940	14.55%
General Tax Revenues	15,199,276	51.01%
Investment Earnings	420,923	1.41%
Other Revenues	151,640	0.51%
	<u>\$29,795,914</u>	<u>100.00%</u>



Instruction comprises 59.36% of governmental program expenses. Support services expenses were 32.55% of governmental program expenses. All other expenses including interest expense were 8.09%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants increased mainly due to an increase in nutrition and special ed cluster grants received in 2008 compared to 2007. Instruction expense increased due to general inflationary costs.

Tax revenues decreased mainly due to the amounts available for advances decreasing.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$17,133,424	\$16,754,381	(\$14,785,522)	(\$15,194,769)
Support Services:				
Pupil and Instructional Staff	2,789,964	2,732,065	(2,329,168)	(2,545,562)
School Administrative, General				
Administration, Fiscal and Business	3,064,778	2,936,698	(3,022,113)	(2,918,225)
Operations and Maintenance	1,901,844	2,300,903	(1,897,419)	(2,297,203)
Pupil Transportation	1,369,149	1,267,214	(1,307,782)	(1,180,667)
Central	268,437	238,635	(234,868)	(212,582)
Operation of Non-Instructional Services	1,333,756	1,278,671	(63,657)	(185,620)
Extracurricular Activities	586,763	543,895	(472,646)	(465,660)
Interest and Fiscal Charges	414,690	453,800	(414,690)	(453,800)
Total Expenses	<u>\$28,862,805</u>	<u>\$28,506,262</u>	<u>(\$24,527,865)</u>	<u>(\$25,454,088)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the general fund comprised \$23,554,988 (76%) and the debt service fund comprised \$3,800,889 (12%) of the total \$30,922,774 governmental funds assets.

General Fund: Fund balance at June 30, 2008 was \$5,026,328 including \$3,443,968 of unreserved balance. The primary reason for the decrease in fund balance was an increase in instruction expenditures.

Debt Service Fund: Fund balance at June 30, 2008 was \$2,246,155 including \$2,129,993 of unreserved balance. The fund balance is consistent from 2007 to 2008.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its general fund budget during the year. The District's budgeting systems are designed to tightly control total budgets but provide flexibility for management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budgeted revenue was \$25,046,025, compared to original budget estimates of \$24,477,019. Of this \$569,006 difference, most was due to a difference in estimates for taxes and intergovernmental revenues.

The District's ending unobligated actual fund balance for the General Fund was \$461,132 more than the final budget amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$17,916,590 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

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

	Governmental Activities	
	2008	2007
Land	\$624,927	\$624,927
Buildings and Improvements	15,864,752	15,668,797
Equipment	1,426,911	1,636,759
Total Net Capital Assets	<u>\$17,916,590</u>	<u>\$17,930,483</u>

Overall, capital assets decreased due to depreciation expense being greater than current fiscal year additions.

See Note 6 to the Basic Financial Statements for more details on the District's capital assets.

Debt

At June 30, 2008, the District had \$10,798,417 in bonds and capital leases outstanding, \$1,292,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2008	2007
Governmental Activities:		
Wilmington H.S. Addition Renovation	\$2,650,000	\$2,965,000
2001 Refunding Bonds	2,865,000	3,680,000
2006 Refunding Bonds:		
Current Interest Bonds -		
School Improvement	2,955,000	2,980,000
Capital Appreciation Bonds	110,000	110,000
Capital Appreciation Bonds - Compounding Interest	43,310	19,862
Premium on 2006 Refunding Bonds	200,107	215,500
Capital Leases	1,975,000	686,000
Total Bonds and Capital Leases	<u>\$10,798,417</u>	<u>\$10,656,362</u>

See Note 7-9 to the Basic Financial Statements for more details on the District's outstanding debt.

For the Future

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

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The Five Year Forecast projects that the District will be expending more than it receives in fiscal year 2009 and by the next fiscal year would be operating in the negative with cuts to staff and programs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Holly Cahall, Treasurer at Wilmington City Schools, 341 S. Nelson Avenue, Wilmington, Ohio 45177 or by e-mail at holly.cahall@wilmington.k12.oh.us.

Wilmington City School District
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$9,530,270
Restricted Cash and Investments	57,982
Receivables:	
Taxes	20,440,664
Accounts	88,415
Interest	17,409
Intergovernmental	232,074
Notes	597,501
Deferred Bond Issuance Costs	60,050
Inventory	7,223
Nondepreciable Capital Assets	624,927
Depreciable Capital Assets, Net	<u>17,291,663</u>
 Total Assets	 <u>48,948,178</u>
Liabilities:	
Accounts Payable	545,042
Accrued Wages and Benefits	2,679,636
Accrued Interest Payable	33,854
Unearned Revenue	16,035,380
Claims Payable	23,434
Long-Term Liabilities:	
Due Within One Year	1,506,691
Due In More Than One Year	<u>10,385,529</u>
 Total Liabilities	 <u>31,209,566</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	7,161,483
Restricted for:	
Special Revenue	1,031,840
Debt Service	2,395,334
Capital Projects	1,211,298
Set-Aside	57,982
Unrestricted	<u>5,880,675</u>
 Total Net Assets	 <u><u>\$17,738,612</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$12,897,862	\$562,364	\$174,573	\$16,482	(\$12,144,443)
Special	2,994,274	135,697	1,336,648	0	(1,521,929)
Vocational	254,437	220	42,621	0	(211,596)
Other	986,851	118	79,179	0	(907,554)
Support Services:					
Pupil	1,143,684	0	125,505	0	(1,018,179)
Instructional Staff	1,646,280	0	335,291	0	(1,310,989)
General Administration	150,718	0	0	0	(150,718)
School Administration	1,746,307	0	383	0	(1,745,924)
Fiscal	736,640	0	42,282	0	(694,358)
Business	431,113	0	0	0	(431,113)
Operations and Maintenance	1,901,844	4,425	0	0	(1,897,419)
Pupil Transportation	1,369,149	0	48,694	12,673	(1,307,782)
Central	268,437	0	33,569	0	(234,868)
Operation of Non-Instructional Services	1,333,756	595,410	674,689	0	(63,657)
Extracurricular Activities	586,763	114,117	0	0	(472,646)
Interest and Fiscal Charges	414,690	0	0	0	(414,690)
Total Governmental Activities	\$28,862,805	\$1,412,351	\$2,893,434	\$29,155	(24,527,865)

General Revenues:	
Income Taxes	4,035,004
Property Taxes Levied for:	
General Purposes	9,641,053
Special Revenue Purposes	209,319
Debt Service Purposes	1,220,291
Capital Projects Purposes	93,609
Grants and Entitlements not Restricted to Specific Programs	9,689,135
Payment in Lieu of Taxes	43,831
Unrestricted Contributions	49,179
Investment Earnings	420,923
Other Revenues	58,630
Total General Revenues	25,460,974
Change in Net Assets	933,109
Net Assets Beginning of Year	16,805,503
Net Assets End of Year	\$17,738,612

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$4,556,741	\$2,129,993	\$2,601,884	\$9,288,618
Restricted Cash and Investments	57,982	0	0	57,982
Receivables:				
Taxes	18,345,124	1,670,896	424,644	20,440,664
Accounts	87,605	0	756	88,361
Interest	14,594	0	2,815	17,409
Intergovernmental	0	0	232,074	232,074
Notes	300,000	0	297,501	597,501
Interfund	192,942	0	0	192,942
Inventory	0	0	7,223	7,223
Total Assets	23,554,988	3,800,889	3,566,897	30,922,774
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	142,859	0	371,012	513,871
Accrued Wages and Benefits	2,365,978	0	313,658	2,679,636
Compensated Absences	36,204	0	0	36,204
Interfund Payable	0	0	192,942	192,942
Deferred Revenue	15,983,619	1,554,734	467,400	18,005,753
Total Liabilities	18,528,660	1,554,734	1,345,012	21,428,406
Fund Balances:				
Reserved for Encumbrances	290,745	0	180,472	471,217
Reserved for Inventory	0	0	7,223	7,223
Reserved for Property Tax Advances	933,633	116,162	28,943	1,078,738
Reserved for Set-Aside	57,982	0	0	57,982
Reserved for Notes Receivable	300,000	0	297,501	597,501
Unreserved, Undesignated, Reported in:				
General Fund	3,443,968	0	0	3,443,968
Special Revenue Funds	0	0	611,238	611,238
Debt Service Funds	0	2,129,993	0	2,129,993
Capital Projects Funds	0	0	1,096,508	1,096,508
Total Fund Balances	5,026,328	2,246,155	2,221,885	9,494,368
Total Liabilities and Fund Balances	\$23,554,988	\$3,800,889	\$3,566,897	\$30,922,774

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balance		\$9,494,368
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,916,590
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$1,898,674	
Intergovernmental	<u>71,699</u>	
		1,970,373
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		187,101
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(33,854)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,057,599)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		60,050
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(10,798,417)</u>
Net Assets of Governmental Activities		<u>\$17,738,612</u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$13,193,110	\$1,169,014	\$289,158	\$14,651,282
Tuition and Fees	695,070	242,795	0	937,865
Investment Earnings	383,944	0	36,979	420,923
Intergovernmental	10,165,407	0	2,191,679	12,357,086
Extracurricular Activities	0	0	117,167	117,167
Charges for Services	0	0	595,410	595,410
Other Revenues	34,015	0	105,178	139,193
Total Revenues	24,471,546	1,411,809	3,335,571	29,218,926
Expenditures:				
Current:				
Instruction:				
Regular	11,920,629	0	297,515	12,218,144
Special	2,082,007	0	779,700	2,861,707
Vocational	226,756	0	0	226,756
Other	975,723	0	11,128	986,851
Support Services:				
Pupil	1,015,022	0	125,126	1,140,148
Instructional Staff	1,300,802	0	324,214	1,625,016
General Administration	142,280	0	0	142,280
School Administration	1,672,689	0	309	1,672,998
Fiscal	698,079	26,494	8,850	733,423
Business	423,090	0	0	423,090
Operations and Maintenance	2,238,454	0	0	2,238,454
Pupil Transportation	1,229,679	0	0	1,229,679
Central	221,164	0	15,000	236,164
Operation of Non-Instructional Services	0	0	1,317,514	1,317,514
Extracurricular Activities	454,261	0	126,534	580,795
Capital Outlay	53,385	0	471,182	524,567
Debt Service:				
Principal Retirement	67,000	1,155,000	0	1,222,000
Interest and Fiscal Charges	28,482	372,626	0	401,108
Total Expenditures	24,749,502	1,554,120	3,477,072	29,780,694
Excess of Revenues Over (Under) Expenditures	(277,956)	(142,311)	(141,501)	(561,768)
Other Financing Sources (Uses):				
Issuance of Capital Leases	0	0	1,356,000	1,356,000
Proceeds from Sale of Capital Assets	5,844	0	0	5,844
Transfers In	1,840	0	0	1,840
Transfers (Out)	0	0	(1,840)	(1,840)
Total Other Financing Sources (Uses)	7,684	0	1,354,160	1,361,844
Net Change in Fund Balance	(270,272)	(142,311)	1,212,659	800,076
Fund Balance Beginning of Year	5,296,600	2,388,466	1,009,226	8,694,292
Fund Balance End of Year	\$5,026,328	\$2,246,155	\$2,221,885	\$9,494,368

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balance - Total Governmental Funds \$800,076

Amounts reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$1,013,170	
Depreciation Expense	<u>(1,018,208)</u>	(5,038)

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

Delinquent Property Taxes	\$547,993	
Intergovernmental	<u>32,006</u>	579,999

Repayment of bond and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 1,222,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (908)

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	(\$253,695)	
Amortization of Bond Issuance Cost	(4,619)	
Amortization of Bond Premium	15,393	
Bond Accretion	<u>(23,448)</u>	(266,369)

The internal service fund used by management to charge back costs
 to individual funds is not reported in the district-wide statement of
 activities. Governmental fund expenditures and the related internal
 service fund revenues are eliminated. The net revenue (expense) of
 the internal service fund is allocated among the governmental activities. (31,796)

Change in Net Assets of Governmental Activities \$933,109

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Net Assets
Proprietary Fund
June 30, 2008

	<u>Governmental Activities- Internal Service Fund</u>
Assets:	
Equity in Pooled Cash and Investments	\$241,652
Receivables:	
Accounts	<u>54</u>
Total Assets	<u>241,706</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	31,171
Claims Payable	<u>23,434</u>
Total Liabilities	<u>54,605</u>
Net Assets:	
Unrestricted	<u>187,101</u>
Total Net Assets	<u><u>\$187,101</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$201,742
Cash Payments for Claims	<u>(204,321)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,579)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,579)
Cash and Cash Equivalents Beginning of Year	<u>244,231</u>
Cash and Cash Equivalents End of Year	<u><u>241,652</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(31,796)
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(54)
Increase (Decrease) in Payables	<u>29,271</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$2,579)</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$201,796</u>
Total Operating Revenues	<u>201,796</u>
Operating Expenses:	
Claims Expense	<u>233,592</u>
Total Operating Expenses	<u>233,592</u>
Change in Net Assets	(31,796)
Net Assets Beginning of Year	<u>218,897</u>
Net Assets End of Year	<u>\$187,101</u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2008

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$56,830
Receivables:	
Accounts	<u>2,502</u>
Total Assets	<u><u>59,332</u></u>
Liabilities:	
Accounts Payable	3,470
Other Liabilities	<u>55,862</u>
Total Liabilities	<u><u>\$59,332</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

1. DESCRIPTION OF THE DISTRICT

The Wilmington City School District (District) was originally organized in 1853 known as School District No. 1 of Union Township. In 1853 State Laws were enacted to create a local Board of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's six instructional and support facilities staffed by 121 non-certificated and 205 certificated teaching personnel and 20 administrative employees to provide service to 3,335 students and other community members.

REPORTING ENTITY

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

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

The District is associated with three organizations that are defined as jointly governed organizations. These organizations include Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Hopewell Special Education Regional Resource Center and Miami Valley Educational Computer Association. These organizations are presented in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. For proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The private purpose trust funds are reported using the economic resources measurement focus.

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. 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.

Governmental Funds

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio law.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The District's only proprietary fund is an internal service fund.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost 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. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which accounts for assets and liabilities generated by student managed activities.

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$383,944 and \$36,979 in the other governmental funds.

For purposes of the Statement of Cash Flows, the internal service fund portion of equity in pooled cash and investments is considered to be a cash equivalent because the internal service fund portion of the pool can be assessed without prior notice or penalty.

INVENTORY

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

CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Equipment	3-15 years

COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>VACATION</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	20 days	10-20 days depending on length of service
Maximum Accumulation	Not Applicable	10	10
Vested	Not Applicable	As Earned	As Earned
<u>SICK LEAVE</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	230 days	230 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$4,696,454 in restricted net assets, none were restricted by enabling legislation.

INTERFUND ACTIVITY

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

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

FUND EQUITY

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

RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent amounts followed by statute to be set-aside to create a reserve for budget stabilization.

ACCRUED LIABILITIES AND LONG TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are reported as obligations of the governmental funds when occurred. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long term loans are recognized as a liability on the statement of net assets when due.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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".

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2008, \$4,977,441 of the District's bank balance of \$5,277,441 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2008, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Fund	\$207,072	0.00
Repurchase Agreement	4,313,180	0.00
Federal Home Loan Bank	100,000	3.47
Federal Home Loan Mortgage Corporation	50,000	2.83
Federal Farm Credit Bank	49,850	4.25
Total Fair Value	<u>\$4,720,102</u>	
Portfolio Weighted Average Maturity		0.15

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Money Market Funds, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Repurchase agreements which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 4% of the District’s investments in Money Market Funds, 2% in Federal Home Loan Bank, 1% in Federal Home Loan Mortgage Corporation, 1% in Federal Farm Credit Bank, and 92% in Repurchase Agreements.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

4. PROPERTY TAXES

Real property taxes collected in 2008 were levied in April on the assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2008, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

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

Real property taxes are payable annually or semi-annually. In 2008, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2008. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008, was \$933,633 for General Fund, \$116,162 for Debt Service Fund, \$28,943 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2008 operations.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$372,518,930
Public Utility Personal	20,089,270
Tangible Personal Property	<u>73,151,753</u>
Total	<u><u>\$465,759,953</u></u>

5. RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants, notes and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$624,927	\$0	\$0	\$624,927
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	26,371,651	948,595	0	27,320,246
Equipment	<u>5,994,756</u>	<u>64,575</u>	<u>8,855</u>	<u>6,050,476</u>
Totals at Historical Cost	<u>\$32,991,334</u>	<u>\$1,013,170</u>	<u>\$8,855</u>	<u>\$33,995,649</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$10,702,854	\$752,640	\$0	\$11,455,494
Equipment	<u>4,357,997</u>	<u>265,568</u>	<u>0</u>	<u>4,623,565</u>
Total Accumulated Depreciation	<u>15,060,851</u>	<u>1,018,208</u>	<u>0</u>	<u>16,079,059</u>
Governmental Activities Capital Assets, Net	<u>\$17,930,483</u>	<u>(\$5,038)</u>	<u>\$8,855</u>	<u>\$17,916,590</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$569,713
Special	57,080
Vocational	7,526
Support Services:	
Instructional Staff	17,766
General Administration	8,438
School Administration	83,364
Business	376
Operations and Maintenance	101,104
Pupil Transportation	131,612
Central	22,579
Operation of Non-Instructional Services	18,650
Total Depreciation Expense	<u>\$1,018,208</u>

7. LONG-TERM LIABILITIES

	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds and Notes:						
Wilmington H.S. Addition Renovation	4.98%	\$2,965,000	\$0	\$315,000	\$2,650,000	\$325,000
2001 Refunding Bonds	3.80%	3,680,000	0	815,000	2,865,000	805,000
2006 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	3.50%	2,980,000	0	25,000	2,955,000	25,000
Capital Appreciation Bonds		110,000	0	0	110,000	0
Capital Appreciation Bonds - Compounding Interest	3.50%	19,862	23,448	0	43,310	0
Premium on 2006 Refunding Bonds		215,500	0	15,393	200,107	0
Total General Obligation Bonds		9,970,362	23,448	1,170,393	8,823,417	1,155,000
Capital Leases		686,000	1,356,000	67,000	1,975,000	137,000
Total Long Term Debt		10,656,362	1,379,448	1,237,393	10,798,417	1,292,000
Compensated Absences		917,332	439,298	262,827	1,093,803	214,691
Total Governmental Activities		\$11,573,694	\$1,818,746	\$1,500,220	\$11,892,220	\$1,506,691

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

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$1,155,000	\$326,048	\$1,481,048	\$0	\$0	\$0
2010	1,160,000	278,126	1,438,126	0	0	0
2011	1,170,000	228,320	1,398,320	0	0	0
2012	656,738	739,879	1,396,617	0	0	0
2013	640,234	713,910	1,354,144	0	0	0
2014-2018	2,018,028	703,733	2,721,761	110,000	380,000	490,000
2019-2021	1,670,000	102,000	1,772,000	0	0	0
Total	\$8,470,000	\$3,092,016	\$11,562,016	\$110,000	\$380,000	\$490,000

8. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2008, \$3,165,000 million of bonds outstanding are considered defeased.

9. CAPITAL LEASES – LESSEE DISCLOSURE

The capital lease proceeds that were recorded in the General Fund relates to the purchase of school buses for the District. The District is leasing the busses from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the busses during the lease term. Columbus Regional Airport Authority assigned U.S. Bank National Association as trustee. U.S. Bank National Association deposited \$751,000 in the School District's name for the purchase of the busses. The District made an interest payment to U.S. Bank National Association. The lease is renewable annually and expires in 2016. The intention of the District is to renew the lease annually.

The District began making principal payments in fiscal year 2007. The principal amount owed on the lease at year end is \$619,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 3.50% plus an annual administrative fee.

The District also has entered into a lease that relates to lighting improvements in the District whose proceeds were recorded in the permanent improvement fund. The District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned U.S. Bank as trustee. U.S. Bank deposited \$1,340,000 in the District's name for the project. The District made an interest payment to U.S. Bank. The lease is renewable annually and expires in fiscal year 2032. The intention of the District is to renew the lease annually.

The District will begin making principal payments in fiscal year 2009. The principal amount owed on the lease at year end is \$1,356,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 4.11% plus an annual administrative fee.

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

<u>Fiscal Year Ending June 30,</u>	<u>Long-Term Debt</u>
2009	\$222,452
2010	221,180
2011	220,012
2012	218,632
2013	217,036
2014-2018	891,768
2019-2023	<u>616,528</u>
Total Minimum Lease Payments	2,607,608
Less: Amount Representing Interest	(610,485)
Less: Additional Program Cost Component	<u>(22,123)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,975,000</u></u>

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

Equipment	\$751,000
Buildings and Improvements	1,356,000

10. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$507,708, \$480,036, and \$467,772, respectively; 34% has been contributed for fiscal year 2008 and 100% for fiscal year 2007 and 2006.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited members accounts as employers submit their payroll information to STRS Ohio, generally biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The School District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were \$1,780,860, \$1,740,192, and \$1,636,872, respectively; 84% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

11. POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS.

The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (latest information available) was \$93.50; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (latest information available), the actuarially required allocation was .68%. School District contributions for the year ended June 30, 2008 were \$24,660, which equaled the required contributions for the year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007 (the latest information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District contributions for the years ended June 30, 2008, 2007, and 2006 were \$120,399, \$117,266, and \$114,604, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District contributions for the years ended June 30, 2008, 2007, and 2006 were \$127,204, \$124,299, and \$116,919, respectively.

12. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2008.

LITIGATION

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

13. JOINTLY GOVERNED ORGANIZATION

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust -

The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, Ohio 45424.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of Superintendents from the seventeen school districts, plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents as well as three parents of handicapped children in the region. The Highland /Clinton/Fayette Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and a considerable number of Federal and State Grants.

The District is a participant in the **Miami Valley Educational Computer Association (MVECA)** which is a council of governments. MVECA is an association of 24 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine and property insurance from private carriers. General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$4,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 bodily injury and \$250,000 property damage per accident as well as uninsured motorist coverage. In addition, the District maintains property damage insurance on the buildings and contents in the amount of \$48,014,313.

Dental insurance is offered to employees through a self-insurance internal service fund. The claims liability reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of cost relating to incurred but not reported claims, be reported. Changes in claims activity for the past three fiscal years are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2008	\$25,334	\$202,421	\$204,321	\$23,434
2007	73,451	201,558	249,675	25,334
2006	48,842	207,072	182,463	73,451

15. ACCOUNTABILITY

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

Fund	Deficit
Special Revenue:	
Poverty Impact Aid	\$667
Special Education	34,905
Title I	39,858
IDEA PreSchool Grant	1,040
Improving Teacher Quality	12,355

16. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2008, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2007	(\$1,783,521)	\$205,333	\$57,982
Current Year Set Aside Requirement	516,111	516,111	0
Qualified Disbursements	(487,033)	(1,028,101)	0
Set Aside Reserve Balance as of June 30, 2008	<u>(\$1,754,443)</u>	<u>(\$306,657)</u>	<u>\$57,982</u>

Restricted Cash as of June 30, 2008 \$57,982

Senate Bill 345 eliminated the Budget Stabilization Reserve. Senate Bill 345 also restricted what the District may use. Bureau of Workers' Compensation refunds for which the District was previously required to deposit into the Budget Stabilization Reserve. The balance of the Budget Stabilization Reserve reflects Bureau of Workers' Compensation refunds previously received into the Budget Stabilization Reserve.

Expenditures for capital activity during the year totaled \$1,028,101. Although the District may have had qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years. Expenditures for textbooks totaled \$487,033. The District may carry forward \$1,754,443 to offset textbook requirements in future years.

17. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2008, consisted of the following interfund receivables, interfund payables, transfers in and out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$192,942	\$0	\$1,840	\$0
Other Governmental Funds	<u>0</u>	<u>192,942</u>	<u>0</u>	<u>1,840</u>
Total All Funds	<u>\$192,942</u>	<u>\$192,942</u>	<u>\$1,840</u>	<u>\$1,840</u>

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Interfund transactions are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

18. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB Statement No. 50 "Pension Disclosures."

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as "other postemployment benefits (OPEB)."

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

REQUIRED SUPPLEMENTARY INFORMATION

Wilmington City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$13,328,225	\$13,700,788	\$13,599,581	(\$101,207)
Tuition and Fees	711,413	744,696	725,897	(18,799)
Investment Earnings	441,121	450,000	450,102	102
Intergovernmental	9,962,574	10,109,541	10,165,407	55,866
Other Revenues	33,686	41,000	34,372	(6,628)
Total Revenues	24,477,019	25,046,025	24,975,359	(70,666)
Expenditures:				
Current:				
Instruction:				
Regular	12,059,899	12,474,954	11,887,966	586,988
Special	2,088,717	2,036,566	2,058,939	(22,373)
Vocational	280,234	359,136	276,239	82,897
Other	996,548	849,717	982,341	(132,624)
Support Services:				
Pupil	1,020,364	1,026,516	1,005,817	20,699
Instructional Staff	1,394,028	1,494,268	1,374,154	120,114
General Administration	157,753	207,748	155,504	52,244
School Administration	1,712,740	1,699,671	1,688,322	11,349
Fiscal	714,614	726,473	704,426	22,047
Business	468,823	508,596	462,139	46,457
Operations and Maintenance	2,457,428	2,408,288	2,422,393	(14,105)
Pupil Transportation	1,259,608	1,288,489	1,241,650	46,839
Central	237,474	249,996	234,088	15,908
Extracurricular Activities	458,945	507,107	452,402	54,705
Capital Outlay	366,852	42,250	361,622	(319,372)
Debt Service:				
Principal Retirement	67,000	67,000	67,000	0
Interest and Fiscal Charges	29,863	28,841	28,482	359
Total Expenditures	25,770,890	25,975,616	25,403,484	572,132
Excess of Revenues Over (Under) Expenditures	(1,293,871)	(929,591)	(428,125)	501,466
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	56,754	56,058	57,909	1,851
Advances In	139,363	75,225	142,200	66,975
Advances (Out)	(35,506)	0	(35,000)	(35,000)
Transfers In	76,287	76,000	77,840	1,840
Transfers (Out)	(77,099)	0	(76,000)	(76,000)
Total Other Financing Sources (Uses)	159,799	207,283	166,949	(40,334)
Net Change in Fund Balance	(1,134,072)	(722,308)	(261,176)	461,132
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,497,482	4,497,482	4,497,482	0
Fund Balance End of Year	\$3,363,410	\$3,775,174	\$4,236,306	\$461,132

See accompanying notes to the required supplementary information.

Wilmington City School District
Notes to the Required Supplementary Information
For the year ended June 30, 2008

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2008.

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

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

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

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

Net Change in Fund Balance

	General
GAAP Basis	(\$270,272)
Net Adjustment for Revenue Accruals	503,813
Net Adjustment for Expenditure Accruals	(255,652)
Proceeds of Capital Assets	52,065
Transfers In	76,000
Transfers (Out)	(76,000)
Advances In	142,200
Advances (Out)	(35,000)
Encumbrances	(398,330)
Budget Basis	(\$261,176)

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**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education.</i>						
Food Distribution Program	None	10.550	\$ -	\$ 110,420	\$ -	\$ 110,420
Nutrition Cluster:						
National School Breakfast Program		10.553	152,641	----	152,641	----
National School Lunch		10.555	481,790	----	481,790	----
Total U.S. Department of Agriculture			634,431	110,420	634,431	110,420
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education.</i>						
Education Consolidation and Improvement Act						
Title I - FY 07	C1-S1-07	84.010	-	----	41,568	----
Title I - FY 08	C1-S1-08		431,774	----	442,457	----
<i>Total Title I</i>			431,774	-	484,025	-
Special Education Cluster:						
Special Education Grants to States						
IDEA Part B - FY07	6BSF-2007	84.027	39,693	----	108,277	----
IDEA Part B - FY08	6BSF-2008		518,748	----	524,090	----
Educational Handicapped Preschool						
Preschool Subsidy - FY 07	PG-S1-2007	84.173	-	----	2,343	----
Preschool Subsidy - FY 08	PG-S1-2008		12,932	----	11,026	----
<i>Total Special Education Cluster</i>			571,373	-	645,736	-
Drug Free Schools						
Drug Free Education - Subsidy - FY 07	DR-S1-07	84.186	-	----	1,694	----
Drug Free Education - Subsidy - FY 08	DR-S1-08		12,055	----	3,344	----
<i>Total Drug Free School Grants</i>			12,055	-	5,038	-
Innovative Educational Program Strategies						
Innovative Ed - FY 08	C2-S1-08	84.298	7,444	----	7,444	----
<i>Total Innovative Ea</i>			7,444	-	7,444	-
Additional Programs:						
Educational Technology - FY 07	TJ-S1-07	84.318	-	----	4,501	----
Educational Technology - FY 08	TJ-S1-08		5,065	----	3,999	----
English Language Acquisition Grant		84.365	15,450	----	14,323	----
Improving Teacher Quality - FY 07	TR-S1-07	84.367	-	----	20,920	----
Improving Teacher Quality - FY 08	TR-S1-08		122,429	----	126,318	----
<i>Total Additional Programs</i>			142,944	-	170,061	-
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education Basic Grants to States						
Career Education - FY08	N/A	84.048	-		307	
Career Education - FY07			2,098		5,095	
Career Education - FY08			7,688	----	205	----
<i>Total Vocational Education</i>			9,786		5,607	
Total Department of Education			1,175,376	-	1,317,911	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,809,807	\$ 110,420	\$ 1,952,342	\$ 110,420

The accompanying notes to this schedule are an integral part of this schedule.

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

Wilmington City School District
Clinton County
341 S. Nelson Avenue
Wilmington, Ohio 45177

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the District's management in a separate letter dated May 27, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated May 27, 2009.

We intend this report solely for the information and use of the audit committee, management, board of education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 27, 2009



Mary Taylor, CPA

Auditor of State

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

Wilmington City School District
Clinton County
341 S. Nelson Avenue
Wilmington, Ohio 45177

To the Board of Education:

Compliance

We have audited the compliance of Wilmington City School District, Clinton County, Ohio (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 apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Wilmington City School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

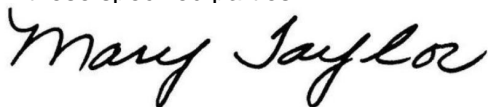
The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 27, 2009

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I – CFDA#84.010 Nutrition Cluster: National School Breakfast – CFDA#10.553 and Lunch Program – CFDA#10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 ¹ Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Inadequate controls over lunchroom receipts.	No	Partially corrected, management letter comment issued.
2007-002	Inadequate controls over athletic receipts	Yes	
2007-003	Inadequate controls over the use of sales project potential forms	No	Partially corrected, management letter comment issued.



Mary Taylor, CPA
Auditor of State

WILMINGTON CITY SCHOOL DISTRICT

CLINTON 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
JUNE 11, 2009**