



Dave Yost • Auditor of State

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

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CLINTON COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and *Required budgetary comparison schedule* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 20, 2015

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(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, 2014. 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 2014 are as follows:

- Net position of governmental activities increased \$180,061 which represents a 1% increase from 2013.
- General revenues accounted for \$23,931,419 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,884,514 or 17% of total revenues of \$28,815,933
- The District had \$28,635,872 in expenses related to governmental activities; \$4,884,514 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,931,419 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 Position* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund 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 2014." 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 position* and changes in those assets. This change in net position 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

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(Unaudited)

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 one type of activity:

- **Governmental Activities** – Most 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 funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

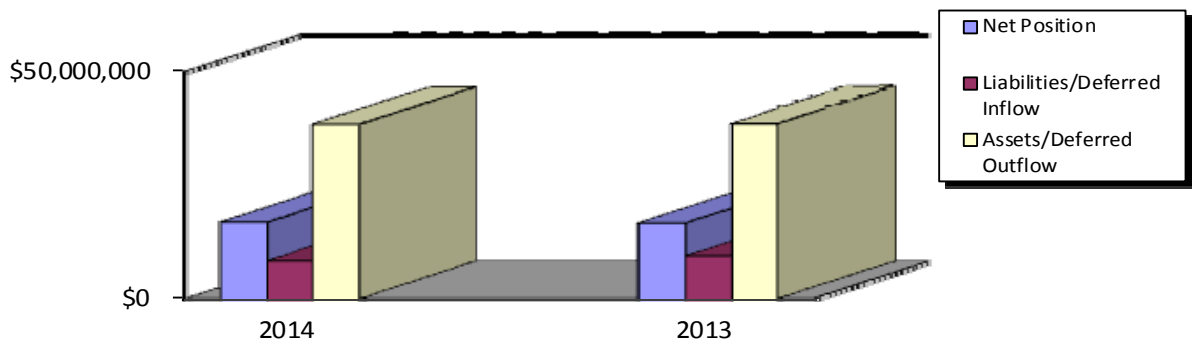
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

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**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(Unaudited)**

Table 1
Net Position

	Governmental Activities	
	2014	2013 Restated
Assets:		
Current and Other Assets	\$23,400,542	\$22,710,902
Capital Assets	14,963,618	15,776,558
Total Assets	38,364,160	38,487,460
Liabilities:		
Other Liabilities	2,547,505	2,591,502
Long-Term Liabilities	5,789,131	6,762,939
Total Liabilities	8,336,636	9,354,441
Total Deferred Inflows of Resources	13,213,318	12,498,874
Net Position:		
Net Investment in Capital Assets	10,263,869	9,820,622
Restricted	2,337,511	3,160,414
Unrestricted	4,212,826	3,653,109
Total Net Position	\$16,814,206	\$16,634,145



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$16,814,206.

At year-end, capital assets represented 39% 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, 2014, was \$10,263,869. 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.

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(Unaudited)

A portion of the District's net position, \$2,337,511 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.

Capital assets decreased mainly due to depreciation for the current year was greater than additions. Long-Term Liabilities decreased mainly due to the District continuing to make principal payments on its long term obligations.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,185,270	\$1,266,104
Operating Grants, Contributions	3,699,244	3,342,071
General Revenues:		
Income Taxes	3,931,581	3,673,357
Property Taxes	9,466,392	9,452,075
Grants and Entitlements	10,052,511	9,428,408
Other	480,935	725,696
Total Revenues	<u>28,815,933</u>	<u>27,887,711</u>
Program Expenses:		
Instruction	17,732,301	16,209,885
Support Services:		
Pupil and Instructional Staff	2,164,888	3,064,016
School Administrative, General		
Administration, Fiscal and Business	2,508,267	2,465,365
Operations and Maintenance	2,336,432	1,941,393
Pupil Transportation	1,554,400	1,472,279
Central	139,930	58,995
Operation of Non-Instructional Services	1,454,747	1,330,205
Extracurricular Activities	498,326	587,266
Interest and Fiscal Charges	246,581	369,583
Total Program Expenses	<u>28,635,872</u>	<u>27,498,987</u>
Change in Net Position	180,061	388,724
Net Position - Beginning of Year	<u>16,634,145</u>	<u>16,245,421</u>
Net Position - End of Year	<u>\$16,814,206</u>	<u>\$16,634,145</u>

The District revenues are mainly from three sources. Income taxes, 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.

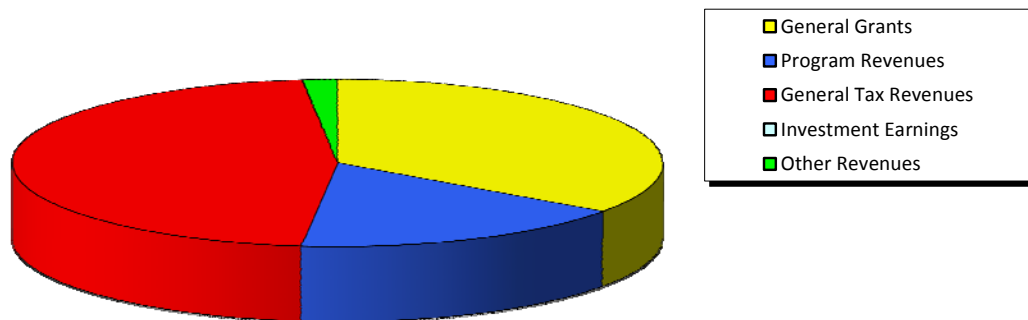
Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(Unaudited)

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 46% of revenue for governmental activities for the District in fiscal year 2014.

Make up of revenues for the District:

Revenue Sources	2014	Percent of Total
General Grants	\$10,052,511	34.9%
Program Revenues	4,884,514	16.9%
General Tax Revenues	13,397,973	46.5%
Investment Earnings	8,246	0.0%
Other Revenues	472,689	1.7%
	<u>\$28,815,933</u>	<u>100.0%</u>



Instruction comprises 61.9% of governmental program expenses. Support services expenses were 30.4% of governmental program expenses. All other expenses including interest expense were 7.7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants increased mainly due to an increase in grant monies (intergovernmental revenue) received in 2014 compared to 2013. Total Expenses increased from 2013 due to an increase in instruction.

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(Unaudited)

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	
	2014	2013	2014	2013
Instruction	\$17,732,301	\$16,209,885	(\$14,555,317)	(\$13,726,791)
Support Services:				
Pupil and Instructional Staff	2,164,888	3,064,016	(2,022,436)	(2,501,561)
School Administrative, General				
Administration, Fiscal and Business	2,508,267	2,465,365	(2,485,989)	(2,463,014)
Operations and Maintenance	2,336,432	1,941,393	(2,332,932)	(1,937,654)
Pupil Transportation	1,554,400	1,472,279	(1,490,677)	(1,438,426)
Central	139,930	58,995	(124,412)	(46,072)
Operation of Non-Instructional Services	1,454,747	1,330,205	(86,630)	61,520
Extracurricular Activities	498,326	587,266	(406,384)	(469,231)
Interest and Fiscal Charges	246,581	369,583	(246,581)	(369,583)
Total Expenses	<u>\$28,635,872</u>	<u>\$27,498,987</u>	<u>(\$23,751,358)</u>	<u>(\$22,890,812)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$20,042,775 (86%) of the total \$23,417,686 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$4,429,006 including \$4,050,589 of unassigned balance. The primary reason for the increase in fund balance was due to the District continuing effort to control expenses throughout the District.

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 year 2014, 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 budget basis revenue was \$25,127,263, compared to original budget estimates of \$23,671,099. Of this \$1,456,164 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 \$3,912,417.

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$14,963,618 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	Governmental Activities	
	2014	2013
Land	\$624,927	\$624,927
Buildings and Improvements	13,750,842	14,456,498
Equipment	587,849	695,133
Total Net Capital Assets	<u>\$14,963,618</u>	<u>\$15,776,558</u>

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

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

Debt

At June 30, 2014, the District had \$5,004,806 in bonds and capital leases outstanding, \$674,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2014	2013
Governmental Activities:		
Wilmington H.S. Addition Renovation	\$440,000	\$860,000
2001 Refunding Bonds:		
Current Interest Bonds -		
Capital Appreciation Bonds	0	48,028
Capital Appreciation Bonds - Compounding Interest	0	156,972
2006 Refunding Bonds:		
Current Interest Bonds -		
School Improvement	2,730,000	2,780,000
Capital Appreciation Bonds	110,000	110,000
Capital Appreciation Bonds - Compounding Interest	305,057	241,575
Premium on 2006 Refunding Bonds	107,749	123,142
2012 QSCB Bonds	235,000	250,000
Capital Leases	1,077,000	1,240,000
Total Bonds and Capital Leases	<u>\$5,004,806</u>	<u>\$5,809,717</u>

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

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2014
(Unaudited)

For the Future

The District is 60% funded by local sources, of which about one-fourth is from a one percent income tax levy. In November, 2011, the voters were asked to renew the levy which was scheduled to end on December 31, 2012. The levy passed in November. If the levy renewal had failed, it would have yielded a revenue shortfall of \$3,600,000 and had a detrimental impact on staffing and educational programs. The City of Wilmington and Union Township are steadily increasing jobs after losing 8,000 jobs in 2009 when DHL relocated its primary hub to Kentucky. Through the joint efforts of the City, County, and State partnerships, as well as a Shop Local Program, the unemployment rate has been decreasing as the focus has been on creating jobs and retaining local employment. Since the District relied on a one-percent income tax, revenues have begun to increase.

Property tax receipts are another source of funding. While home values have declined over the past four years, the Wilmington Port Authority has been aggressively pursuing employers to occupy the Airpark and surrounding properties. The City is also being proactive in recruiting employers to the area, marketing an air park and its proximity to three major metropolitan areas. With these efforts, occupancy at the Air Park and the Port Authority has increased and vacated properties once again actively marketed for lease or sale. In addition, a new pipeline had been completed this year and the District anticipates generating new public utility personal property revenue adding to the approximately \$600,000 per year from the previous installed pipeline. While there is still a long way to go, this is a significant change of direction from the DHL closure in 2009.

State funding which represents about 40% of the District's resources was increased for FY14 and FY15 with the new biennial budget. The District received \$450,000 additional in FY14 and is forecasted to receive an additional \$400,000 in FY15. The State provides basic support as well as reimbursement for the loss in tangible personal property tax. The reimbursement for TPP is still being provided by the State but has been reduced and could eventually be eliminated.

The District has made numerous staffing and operational cuts over the past few years to balance the decrease in revenue from State and Local Sources. Employees were given a 2% increase to the base for 2015 after not receiving any increases over the past to the salary schedule for the past four years. The District experienced an unprecedented 41 staff member turnover last year and 25 staff member turn over this year, which allowed the District to reduce payroll due to retirements and hiring more entry level teachers. The District receipted \$1,188,309 more than it expended in FY2014, and revenues are projected to exceed expenses in FY2015.

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 Kimberly DeWeese, Treasurer at Wilmington City Schools, 341 S. Nelson Avenue, Wilmington, Ohio 45177 or by e-mail at kim.deweese@wilmington.k12.oh.us.

Wilmington City School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$6,661,154
Restricted Cash and Investments	57,982
Receivables (Net):	
Taxes	16,133,305
Accounts	51,156
Intergovernmental	476,701
Inventory	20,244
Nondepreciable Capital Assets	624,927
Depreciable Capital Assets, Net	<u>14,338,691</u>
 Total Assets	 <u>38,364,160</u>
Liabilities:	
Accounts Payable	209,350
Accrued Wages and Benefits	2,322,816
Accrued Interest Payable	15,339
Long-Term Liabilities:	
Due Within One Year	793,819
Due In More Than One Year	<u>4,995,312</u>
 Total Liabilities	 <u>8,336,636</u>
Deferred Inflows of Resources:	
Property Taxes	13,134,651
Grants and Other Taxes	<u>78,667</u>
 Total Deferred Inflows of Resources	 <u>13,213,318</u>
Net Position:	
Net Investment in Capital Assets	10,263,869
Restricted for:	
Debt Service	1,049,825
Capital Projects	34,570
Classroom Facilities Maintenance	1,041,388
Food Service	117,467
Student Activity	21,633
Auxiliary Services	23,913
Federal Grants	41,472
Other Purposes	7,243
Unrestricted	<u>4,212,826</u>
 Total Net Position	 <u><u>\$16,814,206</u></u>

See accompanying notes to the basic financial statements.

Wilmington City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$12,265,527	\$607,671	\$274,121	(\$11,383,735)
Special	3,977,203	42,906	2,021,244	(1,913,053)
Vocational	268,752	0	71,923	(196,829)
Other	1,220,819	0	159,119	(1,061,700)
Support Services:				
Pupil	1,322,988	0	32,453	(1,290,535)
Instructional Staff	841,900	0	109,999	(731,901)
General Administration	92,351	0	0	(92,351)
School Administration	1,518,031	0	0	(1,518,031)
Fiscal	713,467	0	22,278	(691,189)
Business	184,418	0	0	(184,418)
Operations and Maintenance	2,336,432	3,500	0	(2,332,932)
Pupil Transportation	1,554,400	0	63,723	(1,490,677)
Central	139,930	0	15,518	(124,412)
Operation of Non-Instructional Services	1,454,747	439,251	928,866	(86,630)
Extracurricular Activities	498,326	91,942	0	(406,384)
Interest and Fiscal Charges	246,581	0	0	(246,581)
Totals	\$28,635,872	\$1,185,270	\$3,699,244	(23,751,358)

General Revenues:	
Income Taxes	3,931,581
Property Taxes Levied for:	
General Purposes	8,795,715
Special Revenue Purposes	182,557
Debt Service Purposes	408,127
Capital Projects Purposes	79,993
Grants and Entitlements, Not Restricted	10,052,511
Revenue in Lieu of Taxes	4,976
Investment Earnings	8,246
Other Revenues	467,713
Total General Revenues	23,931,419
Change in Net Position	180,061
Net Position - Beginning of Year, Restated	16,634,145
Net Position - End of Year	\$16,814,206

See accompanying notes to the basic financial statements.

Wilmington City School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$4,327,972	\$2,333,182	\$6,661,154
Restricted Cash and Investments	57,982	0	57,982
Receivables (Net):			
Taxes	15,375,580	757,725	16,133,305
Accounts	48,557	2,599	51,156
Intergovernmental	215,540	261,161	476,701
Interfund	17,144	0	17,144
Inventory	0	20,244	20,244
Total Assets	20,042,775	3,374,911	23,417,686
Liabilities:			
Accounts Payable	186,688	22,662	209,350
Accrued Wages and Benefits	1,973,465	349,351	2,322,816
Interfund Payable	0	17,144	17,144
Total Liabilities	2,160,153	389,157	2,549,310
Deferred Inflows of Resources:			
Property Taxes	13,374,949	711,984	14,086,933
Grants and Other Taxes	78,667	0	78,667
Total Deferred Inflows of Resources	13,453,616	711,984	14,165,600
Fund Balances:			
Restricted	0	2,286,425	2,286,425
Assigned	378,417	0	378,417
Unassigned	4,050,589	(12,655)	4,037,934
Total Fund Balances	4,429,006	2,273,770	6,702,776
Total Liabilities, Deferred Inflows and Fund Balances	\$20,042,775	\$3,374,911	\$23,417,686

See accompanying notes to the basic financial statements.

Wilmington City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$6,702,776

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

 Capital assets used in the operation of Governmental Funds 14,963,618

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

 Delinquent Property Taxes 952,282

In the statement of net position 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.

(15,339)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

 Compensated Absences (784,325)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

(5,004,806)

Net Position of Governmental Activities

\$16,814,206

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$8,853,655	\$677,859	\$9,531,514
Income Taxes	3,931,581	0	3,931,581
Tuition and Fees	650,577	0	650,577
Investment Earnings	7,220	1,026	8,246
Intergovernmental	11,041,311	3,315,351	14,356,662
Extracurricular Activities	408	91,534	91,942
Charges for Services	0	439,251	439,251
Revenue in Lieu of Taxes	4,977	0	4,977
Other Revenues	453,445	17,767	471,212
Total Revenues	24,943,174	4,542,788	29,485,962
Expenditures:			
Current:			
Instruction:			
Regular	11,437,110	268,787	11,705,897
Special	2,444,867	1,498,081	3,942,948
Vocational	258,064	0	258,064
Other	1,137,752	83,067	1,220,819
Support Services:			
Pupil	1,276,604	30,123	1,306,727
Instructional Staff	641,046	188,422	829,468
General Administration	89,719	0	89,719
School Administration	1,410,616	0	1,410,616
Fiscal	687,273	21,760	709,033
Business	177,212	4,499	181,711
Operations and Maintenance	2,318,847	0	2,318,847
Pupil Transportation	1,434,290	18,636	1,452,926
Central	95,937	0	95,937
Operation of Non-Instructional Services	58	1,409,205	1,409,263
Extracurricular Activities	425,599	126,796	552,395
Capital Outlay	0	215,606	215,606
Debt Service:			
Principal Retirement	81,000	567,000	648,000
Interest and Fiscal Charges	9,633	396,270	405,903
Total Expenditures	23,925,627	4,828,252	28,753,879
Net Change in Fund Balance	1,017,547	(285,464)	732,083
Fund Balance - Beginning of Year	3,411,459	2,559,234	5,970,693
Fund Balance - End of Year	\$4,429,006	\$2,273,770	\$6,702,776

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, 2014

Net Change in Fund Balance - Total Governmental Funds		\$732,083
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	473,911	
Depreciation Expense	<u>(1,286,851)</u>	(812,940)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(65,000)	
Intergovernmental	<u>(605,029)</u>	(670,029)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		853,000
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		2,411
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	123,625	
Amortization of Bond Premium	15,393	
Bond Accretion	<u>(63,482)</u>	
		<u>75,536</u>
Change in Net Position of Governmental Activities		<u>\$180,061</u>

See accompanying notes to the basic financial statements.

Wilmington City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$4,450	\$106,771
Receivables (Net):		
Accounts	<u> 0</u>	<u> 2,430</u>
Total Assets	<u> 4,450</u>	<u> 109,201</u>
Liabilities:		
Accounts Payable	862	0
Other Liabilities	<u> 0</u>	<u> 109,201</u>
Total Liabilities	<u> 862</u>	<u> \$109,201</u>
Net Position:		
Held in Trust	<u> 3,588</u>	
Total Net Position	<u> \$3,588</u>	

See accompanying notes to the basic financial statements.

Wilmington City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Donations	<u>\$3,131</u>
Total Additions	<u>3,131</u>
Deductions:	
Scholarships	<u>1,062</u>
Total Deductions	<u>1,062</u>
Change in Net Position	2,069
Net Position - Beginning of Year	<u>1,519</u>
Net Position - End of Year	<u>\$3,588</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, 2014

Note 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 178 certificated teaching personnel and 16 administrative employees to provide service to 3,020 students and other community members.

Reporting Entity

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.

Note 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 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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 position. 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 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 is the District's major governmental fund:

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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 funds are an agency fund (Student Managed Activity Fund) which accounts for assets and liabilities generated by student managed activities, which has students involved in the management of them and a private purpose trust which accounts for scholarship programs for students.

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 inflows, 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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'). Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

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 2014 amounted to \$7,220 and \$1,026 in the other governmental funds.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance assignment in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food

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 position 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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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	10-20 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	250 days	250 days	240 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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 position are available. Of the District’s \$2,337,511 in restricted net position, none were restricted by enabling legislation.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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 position.

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 Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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 position 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.

Note 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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

- (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, 2014, \$5,664,141 of the District's bank balance of \$6,648,946 was exposed to custodial risk

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Fund	\$14,927	0.00
Repurchase Agreement	461,444	0.00
	<u>\$476,371</u>	

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 are not rated. 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 3% of the District's investments in Money Market Funds and 97% in repurchase agreement.

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.

Note 4 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance \$610,908 in the General Fund and \$45,741 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2014 were based as follows:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$406,263,700
Public Utility Personal	<u>39,413,020</u>
Total	<u><u>\$445,676,720</u></u>

Note 5 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and student fees), intergovernmental grants 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.

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Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, 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	30,748,577	363,174	0	31,111,751
Equipment	<u>6,334,861</u>	<u>110,737</u>	<u>0</u>	<u>6,445,598</u>
Totals at Historical Cost	<u>\$37,708,365</u>	<u>\$473,911</u>	<u>\$0</u>	<u>\$38,182,276</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$16,292,079	\$1,068,830	\$0	\$17,360,909
Equipment	<u>5,639,728</u>	<u>218,021</u>	<u>0</u>	<u>5,857,749</u>
Total Accumulated Depreciation	<u>21,931,807</u>	<u>1,286,851</u>	<u>0</u>	<u>23,218,658</u>
Governmental Activities Capital Assets, Net	<u>\$15,776,558</u>	<u>(\$812,940)</u>	<u>\$0</u>	<u>\$14,963,618</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$783,361
Special	78,163
Vocational	10,688
Support Services:	
Instructional Staff	13,987
General Administration	2,632
School Administration	118,145
Operations and Maintenance	116,905
Pupil Transportation	117,038
Central	32,065
Operation of Non-Instructional Services	11,433
Extracurricular Activities	2,434
Total Depreciation Expense	<u>\$1,286,851</u>

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 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%	\$860,000	\$0	\$420,000	\$440,000	\$440,000
2001 Capital Appreciation Bonds	3.80%	48,028	0	48,028	0	0
2001 Capital Appreciation Bonds - Compounding Interest		156,972	0	156,972	0	0
2006 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	3.50%	2,780,000	0	50,000	2,730,000	50,000
Capital Appreciation Bonds		110,000	0	0	110,000	0
Capital Appreciation Bonds - Compounding Interest	3.50%	241,575	63,482	0	305,057	0
Premium on 2006 Refunding Bonds		123,142	0	15,393	107,749	0
2012 QSCB Bonds	5.85%	250,000	0	15,000	235,000	15,000
Total General Obligation Bonds		4,569,717	63,482	705,393	3,927,806	505,000
Capital Leases		1,240,000	0	163,000	1,077,000	169,000
Total Long Term Debt		5,809,717	63,482	868,393	5,004,806	674,000
Compensated Absences		953,222	2,634	171,531	784,325	119,819
Total Governmental Activities		<u>\$6,762,939</u>	<u>\$66,116</u>	<u>\$1,039,924</u>	<u>\$5,789,131</u>	<u>\$793,819</u>

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

In 1998, the District issued long-term general obligation bonds in the amount of \$8,440,000 at a rate of 4.98% for the purpose of the Wilmington High School Addition and Renovations. The bonds will be retired in 2020. In 2006, the District refinanced \$3,165,000 of the Series 1998 Bonds at a reduced interest rate of 3.5% in order to save the taxpayers approximately \$195,000. This general obligation is paid out of the bond retirement fund.

In 2012, the Board approved the allocation of bonds in the amount of \$265,000 from the Ohio School Facilities Commission through the 2010 Qualified School Construction Bond Program. The bonds were awarded to the District on May 27, 2011. They will be used to fund improvement to the HVAC systems in the Middle School and High School. The interest rate on the bonds is 5.85% but the District will receive QSCB subsidy refunds on the interest paid through the federal government. The bonds will be retired in 2025 and this obligation is paid out of the permanent improvement fund.

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$505,000	\$133,389	\$638,389	\$0	\$0	\$0
2016	15,000	119,631	134,631	110,000	380,000	490,000
2017	515,000	108,754	623,754	0	0	0
2018	525,000	87,676	612,676	0	0	0
2019	555,000	65,753	620,753	0	0	0
2020-2024	1,240,000	76,469	1,316,469	0	0	0
2025-2026	50,000	2,924	52,924	0	0	0
Total	\$3,405,000	\$594,596	\$3,999,596	\$110,000	\$380,000	\$490,000

Note 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, 2014, \$3,165,000 of bonds outstanding are considered defeased.

Note 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 fiscal year end is \$168,000.

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 began making principal payments in fiscal year 2011. The principal amount owed on the lease at fiscal year end is \$909,000.

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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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>
2015	\$211,436
2016	212,817
2017	124,268
2018	123,307
2019	123,217
2020-2023	<u>493,308</u>
Total Minimum Lease Payments	1,288,353
Less: Amount Representing Interest	(203,920)
Less: Additional Program Cost Component	<u>(7,433)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,077,000</u></u>

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

Equipment	\$925,084
Buildings and Improvements	1,861,442

Note 10 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (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 state statute per 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 can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$637,488, \$612,744, and \$619,560, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

State Teachers Retirement System of Ohio (GASB Statement No. 45, Appendix D, Illustration 5)

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 9.5% of earned compensation among various investment choices. The Combined Plan offers features of 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 to member accounts as employers submit their payroll information to STRS Ohio, generally on a 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 9.5% 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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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

For members who select the Combined Plan, 10% of the 11% member contribution rate is deposited into the member's defined contribution account and the remaining amount is applied to the DB Plan. 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.

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 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$1,436,364, \$1,606,872, and \$1,732,404, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; 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 2014, the actuarially required allocation was 0.76%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$33,696, \$32,388, and \$33,633, respectively, which equaled the required contributions each 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, Medicare Advantage 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 105(e). 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, 2014, the health care allocation was 0.14%. 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 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$7,286, \$7,003, and \$63,284, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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 on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

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 that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-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 program 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 health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$102,597, \$114,777, and \$123,743, 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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, 2014.

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.

Note 13 – Jointly Governed Organization

Southwestern Ohio Educational Purchasing Council 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 Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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 Southern Ohio Educational Service Center 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. Complete financial statements can be obtained from Hopewell located at 5350 West New Market Road, Hillsboro, Ohio 45133.

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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 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 \$2,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 bodily injury and \$300,000 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 \$72,571,080. For the last three years, the amount of settlement did not exceed insurance coverage.

Note 15 – Accountability

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

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Special Revenue:	
IDEA Preschool Grant	\$464
Improving Teacher Quality	12,191

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.

Note 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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2013	\$0	\$57,982
Current Year Set Aside Requirement	534,086	0
Qualified Disbursements	(595,806)	0
Current Year Offsets	0	0
Set Aside Reserve Balance as of June 30, 2014	<u>(\$61,720)</u>	<u>\$57,982</u>

Expenditures for capital activity during the year totaled \$595,806.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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.

Note 17 – Interfund Transactions/Transfers

Interfund transactions at June 30, 2014, consisted of the following interfund receivables and interfund payables:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$17,144	\$0
Other Governmental Funds	<u>0</u>	<u>17,144</u>
Total All Funds	<u><u>\$17,144</u></u>	<u><u>\$17,144</u></u>

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.

Note 18 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Hopewell Grant	0	5,751	5,751
Vocational Education Enhancement	0	1,492	1,492
Student Activity	0	21,633	21,633
Auxiliary Services	0	23,913	23,913
Special Education	0	9,235	9,235
Vocational Education	0	1,443	1,443
Title I	0	30,794	30,794
Food Service	0	117,467	117,467
Classroom Facilities Maintenance	0	1,023,217	1,023,217
Debt Service	0	1,021,839	1,021,839
Permanent Improvement	0	29,641	29,641
Total Restricted	0	2,286,425	2,286,425
Assigned to:			
Encumbrances	269,224	0	269,224
Budgetary Resources	109,193	0	109,193
Total Assigned	378,417	0	378,417
Unassigned (Deficit)	4,050,589	(12,655)	4,037,934
Total Fund Balance	\$4,429,006	\$2,273,770	\$6,702,776

Note 19 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

Note 20 – Prior Period Adjustment

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period's net position as follows:

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

	<u>Governmental Activities</u>
Net Position - June 30, 2013	\$16,671,100
Prior Period Adjustment:	
Bond Issuance Costs	(36,955)
Restated Net Position - June 30, 2013	<u><u>\$16,634,145</u></u>

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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, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,368,965	\$13,129,860	\$13,119,306	(\$10,554)
Revenue in lieu of taxes	4,692	4,981	4,977	(4)
Tuition and Fees	613,368	651,100	650,577	(523)
Investment Earnings	6,807	7,226	7,220	(6)
Intergovernmental	10,295,610	10,928,960	10,920,175	(8,785)
Other Revenues	381,657	405,136	404,810	(326)
Total Revenues	23,671,099	25,127,263	25,107,065	(20,198)
Expenditures:				
Current:				
Instruction:				
Regular	11,930,957	11,930,957	11,366,530	564,427
Special	2,576,855	2,576,855	2,454,950	121,905
Vocational	278,375	278,375	265,206	13,169
Other	1,195,745	1,195,745	1,139,177	56,568
Support Services:				
Pupil	1,312,793	1,312,793	1,250,688	62,105
Instructional Staff	759,266	759,266	723,347	35,919
General Administration	109,060	109,060	103,901	5,159
School Administration	1,447,231	1,447,231	1,378,766	68,465
Fiscal	721,365	721,365	687,239	34,126
Business	186,017	186,017	177,217	8,800
Operations and Maintenance	2,861,669	2,861,669	2,726,290	135,379
Pupil Transportation	1,484,642	1,484,642	1,414,407	70,235
Central	100,626	100,626	95,866	4,760
Extracurricular Activities	446,765	446,765	425,630	21,135
Debt Service:				
Principal Retirement	81,000	85,022	81,000	4,022
Interest and Fiscal Charges	14,134	10,111	9,633	478
Total Expenditures	25,506,500	25,506,499	24,299,847	1,206,652
Excess of Revenues Over (Under) Expenditures	(1,835,401)	(379,236)	807,218	1,186,454
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	9,116	9,677	9,669	(8)
Advances In	10,384	11,023	11,014	(9)
Advances (Out)	(3,300)	(3,300)	(3,144)	156
Total Other Financing Sources (Uses)	16,200	17,400	17,539	139
Net Change in Fund Balance	(1,819,201)	(361,836)	824,757	1,186,593
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,087,660	3,087,660	3,087,660	0
Fund Balance End of Year	\$1,268,459	\$2,725,824	\$3,912,417	\$1,186,593

See accompanying notes to the required supplementary information.

Wilmington City School District
Notes to the Required Supplementary Information
For the year ended June 30, 2014

Note 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 2014.

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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) and 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 an assignment 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.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

Wilmington City School District
Notes to the Required Supplementary Information
For the year ended June 30, 2014

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,017,547
Revenue Accruals	164,571
Expenditure Accruals	(9,838)
Proceeds of Capital Assets	9,669
Advances In	11,014
Advances (Out)	(3,144)
Encumbrances	(363,522)
Funds Budgeted Elsewhere	(1,540)
Budget Basis	<u><u>\$824,757</u></u>

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**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
National School Lunch Program	10.555	\$ 669,911	\$ 91,960	\$ 674,986	\$ 91,960
National School Breakfast Program	10.553	137,304	-	137,304	-
<i>Total Nutrition Cluster:</i>		807,215	91,960	812,290	91,960
Total U.S. Department of Agriculture		807,215	91,960	812,290	91,960
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title 1 - FY 14	84.010	1,071,893	-	1,067,492	-
Title 1 - FY 13	84.010	59,205	-	86,026	-
		1,131,098	-	1,153,518	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY14	84.027	492,990	-	474,859	-
IDEA Part B - FY13	84.027	72,865	-	92,337	-
		565,855	-	567,196	-
Educational Handicapped Preschool					
Preschool Subsidy - FY14	84.173	10,225	-	9,642	-
Preschool Subsidy - FY13	84.173	1,810	-	2,216	-
		12,035	-	11,858	-
<i>Total Special Education Cluster</i>		577,890	-	579,054	-
Additional Programs:					
Rural and Low Income, Title VI-B	84.358	55,428	-	55,428	-
Improving Teacher Quality - FY14	84.367	110,134	-	107,839	-
Improving Teacher Quality - FY13	84.367	14,807	-	19,061	-
		124,941	-	126,900	-
Race to the Top - FY14	84.395	93,317	-	96,461	-
Race to the Top - FY13	84.395	16,890	-	57,184	-
		110,207	-	153,645	-
<i>Total Additional Programs</i>		290,576	-	335,973	-
<i>Passed through Great Oaks Institute of Technology and Career Development:</i>					
Vocational Education Basic Grants to State					
Career Education - FY14	84.048	6,000	-	2,756	-
Career Education - FY13	84.048	-	-	1,006	-
<i>Total Vocational Education</i>		6,000	-	3,762	-
Total Department of Education		2,005,564	-	2,072,307	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 2,812,779	\$ 91,960	\$ 2,884,597	\$ 91,960

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, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Wilmington City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Ave.
Wilmington, Ohio 45177

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

March 20, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Wilmington City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Wilmington City School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2014-001. This finding did not require us to modify our compliance opinion on each major federal program.

The District's response to our noncompliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of finds and questioned costs as item 2014-001.

The District's response to the internal control over compliance fining we identified is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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Dave Yost
Auditor of State

Columbus, Ohio

March 20, 2015

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**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I CFDA# 84.010 Special Education Cluster: IDEA Part B CFDA# 84.027 Preschool Subsidy CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Federal Expenditures

Finding Number	2014-001
CFDA Title and Number	Title I CFDA #84.010
Federal Award Number / Year	2013 – 2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE, and SIGNIFICANT DEFICIENCY

2 CFR 225 Appendix C Section D (3) provides in part that where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating indirect cost rates and/or monitoring the sub-recipient's plan.

2 CFR 225 Appendix A Section C (1) (d) provides that the District shall conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

2 CFR 225 Appendix A Section C (1) (j) provides that all expenditures be adequately documented.

The approved budget on the CCIP provides for allowable expenditures. The budget provides that purchased services are amounts paid for personal services rendered by personnel who are not on the payroll of the District. The budget allowed for transportation expenditures as a purchased service. The District charged the Title I federal program for transportation expenditures related to Title I programs as purchased services, which would indicate that the District paid a vendor, however this service actually provided by the District employees. The amounts charged to the federal program were based on two pieces of information. First, the District billed for mileage at a rate of \$1.07 per mile. The District did not have approval for the indirect cost rate that was used. Second, the District charged the grant for employee salaries and benefits. When the District reclassified the salaries and fringe benefits the classification changed the description from payroll to purchased services. In addition, payroll related expenditures were made in fiscal year 2013, but were reported as expenditures in fiscal year 2014 because the District did not complete the reclassification until the subsequent fiscal year.

Based on the documentation provided for audit, the expenditures of the District were not consistent with the approved budget and there was no approval of a cost allocation plan. Accordingly, a questioned cost is issued in the amount of \$15,827, which is the amount of the transportation costs charged to the federal program that were not consistent with the approved budget and had charges based on a cost allocation plan that was not approved.

The District should request approval for any cost allocations plans that are used to charge costs to a federal program. The District should process all payroll relating to federal expenditures using the District's payroll system, and follow the federal documentation guidelines for payroll. If costs do not agree to the budgeted amounts, the District should request budget amendments. The District should also implement controls to ensure that all federal expenditures are reported in the proper fiscal period. These controls will help the District properly report expenditures on both the CCIP and financial statements and help to ensure that only allowable costs are paid from federal funds.

**FINDING NUMBER 2014-001
(Continued)**

Officials' Response:

The District has had the procedure for reimbursement of Transportation expenses to the Title I fund in place for three or four years now and we were using the ODE approved rate for mileage reimbursement. Now that we are aware that this procedure requires approval for the indirect cost rate, we have decided to not charge the Title I fund for mileage expenses in the future.

Additionally, I have changed the Title I budget to reflect salaries and benefits under Transportation costs to pay for drivers for after school tutoring and summer school. These charges are now being charged to Title I every payroll rather than reimbursing this expense periodically.

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**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	<p>Now that the District is aware that this procedure requires approval for the indirect cost rate, we have decided to not charge the Title I fund for mileage expenses in the future.</p> <p>Additionally, the District has changed the Title I budget to reflect salaries and benefits under Transportation costs to pay for drivers for after school tutoring and summer school. These charges are now being charged to Title I every payroll rather than reimbursing this expense periodically.</p>	March 20, 2013	Kim DeWeese, Treasurer

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Dave Yost • 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
APRIL 7, 2015**