



Mary Taylor, CPA
Auditor of State

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets June 30, 2006	11
Statement of Activities For the Fiscal Year Ended June 30, 2006	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds June 30, 2006	13
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities June 30, 2006	14
Statement of Revenues, Expenditures and Changes In Fund Balance - Governmental Funds For the Fiscal Year Ended June 30, 2006	15
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, 2006	16
Statement of Net Assets – Proprietary Fund June 30, 2006	17
Statement of Revenues, Expenses and Changes in Fiduciary Net Assets Proprietary Fund For the Fiscal Year Ended June 30, 2006	18
Statement of Cash Flows Proprietary Fund For the Fiscal Year Ended June 30, 2006	19
Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2006	20
Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Fiscal Year Ended June 30, 2006	21
Notes to the Basic Financial Statements	22
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) For the Fiscal Year Ended June 30, 2006 – General Fund	44

WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Notes to the Required Supplementary Information	46
Schedule of Federal Awards Expenditures.....	49
Notes to the Federal Awards Expenditures Schedule	50
Independent Accountants' Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	53
Schedule of Findings.....	55



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilmington City School District, Clinton County, Ohio, as of June 30, 2006, and the respective changes in financial position, and where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

July 3, 2007

WILMINGTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2006
(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, 2006. 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 2006 are as follows:

- In total, net assets increased \$4,508,697.
- General revenues accounted for \$26,436,272 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,498,356 or 17% of total revenues of \$31,934,628.
- The District had \$27,425,931 in expenses related to governmental activities; \$5,498,356 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$26,436,272 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2006.” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

In the Government-wide Financial Statements, the District presents 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 fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

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

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

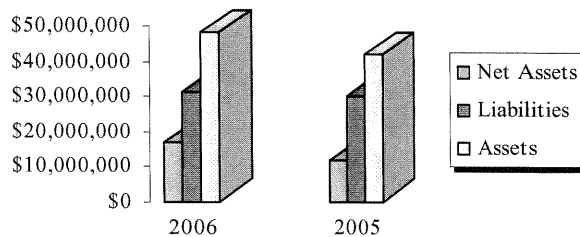
The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2006 compared to 2005:

Table 1
Net Assets

	Governmental Activities	
	2006	2005 Restated
Assets		
Current Assets	\$28,704,363	\$23,933,506
Capital Assets	18,994,725	18,057,382
Total Assets	47,699,088	41,990,888
Liabilities		
Long-Term Liabilities	12,776,344	12,832,161
Other Liabilities	18,550,877	17,295,557
Total Liabilities	31,327,221	30,127,718
Net Assets		
Invested in Capital		
Assets Net of Debt	7,147,120	5,992,382
Restricted	4,527,974	3,629,271
Unrestricted	4,696,773	2,241,517
Total Net Assets	\$16,371,867	\$11,863,170



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's net assets exceeded liabilities by \$16,371,867.

At year-end, capital assets represented 40% of total assets. Capital assets include land, buildings and improvements, furniture and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2006, was \$7,147,120. 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.

Net assets of governmental activities increased \$4,508,697 from 2005 to 2006, which represents an overall improvement in financial position. Current and other assets increased mainly due to the increase in receivables owed to the District at year end compared to 2005. Capital Assets increased compared to 2005 mainly due to the purchase of ten school busses from the issuance of an OASBO lease and due to the purchase of approximately \$1.4 million in land and building improvements. Other liabilities increased mainly due to the increase in unearned revenue which was largely due to an increase in taxes receivable and an increase in taxes available for advance.

Table 2 shows the change in net assets for fiscal year 2006 compared to fiscal year 2005.

Table 2
Changes in Net Assets

	Governmental Activities	
	2006	2005 Restated
Revenues		
Program Revenues:		
Charges for Services	\$1,219,151	\$1,056,734
Operating Grants	3,636,115	2,542,118
Capital Grants	643,090	56,007
General Revenue:		
Income Taxes	4,059,139	3,819,896
Property Taxes	12,762,660	11,276,651
Grants and Entitlements	8,749,056	7,733,973
Other	865,417	412,840
Total Revenues	<u>31,934,628</u>	<u>26,898,219</u>
Program Expenses:		
Instruction	16,037,220	15,453,387
Support Services:		
Pupil and Instructional Staff	2,355,568	2,196,423
General and School Administrative, Fiscal and Business	2,955,849	2,728,348
Operations and Maintenance	2,156,151	1,989,331
Pupil Transportation	1,104,391	1,177,392
Central	308,097	239,679
Operation of Non-Instructional Services	1,250,959	958,993
Extracurricular Activities	566,816	492,575
Interest and Fiscal Charges	690,880	531,247
Total Expenses	<u>27,425,931</u>	<u>25,767,375</u>
Change in Net Assets	4,508,697	1,130,844
Beginning Net Assets	<u>11,863,170</u>	<u>10,732,326</u>
Ending Net Assets	<u><u>\$16,371,867</u></u>	<u><u>\$11,863,170</u></u>

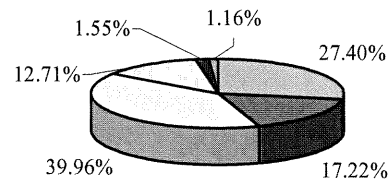
The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 67% of the District's revenues for governmental activities.

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

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40% of revenue for governmental activities for the District in fiscal year 2006.

Make up of revenues for the District:

Revenue Sources	2006	Percent of Total
General Grants	\$8,749,056	27.40%
Program Revenues	5,498,356	17.22%
General Tax Revenues	12,762,660	39.96%
Income Tax Revenue	4,059,139	12.71%
Investment Earnings	496,238	1.55%
Other Revenues	369,179	1.16%
	<u>\$31,934,628</u>	<u>100.00%</u>



Instruction comprises 59% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other program expenses including interest expense was 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects. The District began collecting income tax at the end of fiscal year 2003.

Operating Grants increased mainly due to an increase in grant monies (intergovernmental revenue) received in 2006 compared to 2005. Property taxes revenue increased mainly due to an increase in taxes receivable and an increase in taxes available for advance. Investment Earnings increased as a result of the District holding a larger balance of investments for the current year as compared to the prior year. Instruction expense increased due to general inflationary costs.

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	
	2006	2005	2006	2005 Restated
Instruction	\$16,037,220	\$15,453,387	(\$12,989,391)	(\$13,358,163)
Support Services:				
Pupil and Instructional Staff	2,355,568	2,196,423	(1,757,895)	(1,885,612)
General and School Administrative, Fiscal and Business	2,955,849	2,728,348	(2,935,309)	(2,703,195)
Operations and Maintenance	2,156,151	1,989,331	(1,510,619)	(1,986,847)
Pupil Transportation	1,104,391	1,177,392	(1,040,631)	(1,099,038)
Central	308,097	239,679	(281,916)	(195,050)
Operation of Non-Instructional Services	1,250,959	958,993	(237,475)	73,401
Extracurricular Activities	566,816	492,575	(483,459)	(426,765)
Interest and Fiscal Charges	690,880	531,247	(690,880)	(531,247)
Total Expenses	<u>\$27,425,931</u>	<u>\$25,767,375</u>	<u>(\$21,927,575)</u>	<u>(\$22,112,516)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the general fund comprised \$21,848,670 (77%) and the debt service fund comprised \$4,015,664 (14%) of the total \$28,515,055 governmental funds assets.

General Fund: Fund balance at June 30, 2006 was \$4,377,941 including \$2,775,287 of unreserved balance. The primary reasons for the increase in fund balance were increases in taxes and intergovernmental revenue.

Debt Service Fund: Fund balance at June 30, 2006 was \$2,473,910 including \$2,292,733 of unreserved balance. The fund balance is consistent from 2005 to 2006.

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 2006, 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, budget basis revenue was \$23,536,822, compared to original budget estimates of \$21,807,614. Of this \$1,729,208 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General Fund was \$392,924 more than the final budget amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$18,994,725 invested in land, buildings and improvements, and furniture and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

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

	Governmental Activities	
	2006	2005 Restated
Land	\$624,927	\$624,927
Buildings and Improvements	16,366,503	16,126,618
Furniture and Equipment	2,003,295	1,305,837
Total Net Capital Assets	<u>\$18,994,725</u>	<u>\$18,057,382</u>

Overall, capital assets increased due to new purchases less deletions being greater than depreciation expense.

See Note 7 to the Basic Financial Statements for more details on the District's capital assets.

Debt

At June 30, 2006, the District had \$11,165,893 in bonds outstanding, \$1,215,393 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2006	2005
Bonds Payable:		
Wilmington High School Addition Renovation	\$3,265,000	\$6,720,000
Technology Capital Lease	4,505,000	5,345,000
Refunding Bonds		
Current Interest Bonds -		
School Improvement	3,055,000	0
Capital Appreciation Bonds	110,000	0
Premium on Bonds	230,893	0
Total Bonds	<u>\$11,165,893</u>	<u>\$12,065,000</u>

See Note 8 to the Basic Financial Statements for more details on the District's outstanding debt.

For the Future

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

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

The Five Year Forecast projects that the District will be expending more than its receipts in fiscal year 2007 and by the next fiscal year would be operating in the negative with cuts to staff and programs.

Contacting the District's Financial Management

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

Wilmington City School District
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$7,492,163
Restricted Cash and Investments	106,705
Receivables:	
Taxes	19,867,633
Accounts	96,526
Interest	45,766
Intergovernmental	1,026,282
Deferred Bond Issuance Costs	69,288
Nondepreciable Capital Assets	624,927
Depreciable Capital Assets, Net	<u>18,369,798</u>
 Total Assets	 <u>47,699,088</u>
Liabilities:	
Accounts Payable	116,653
Accrued Wages and Benefits	2,492,879
Accrued Interest Payable	36,671
Unearned Revenue	15,891,240
Claims Payable	13,434
Long-Term Liabilities:	
Due Within One Year	1,594,998
Due In More Than One Year	<u>11,181,346</u>
 Total Liabilities	 <u>31,327,221</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	7,147,120
Restricted for:	
Special Revenue	1,809,562
Debt Service	2,553,509
Capital Projects	58,198
Set-Aside	106,705
Unrestricted	<u>4,696,773</u>
 Total Net Assets	 <u>\$16,371,867</u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$11,737,105	\$538,264	\$606,409	\$0	(\$10,592,432)
Special	2,734,298	0	1,801,032	0	(933,266)
Vocational	349,129	0	42,765	0	(306,364)
Other	1,216,688	900	58,459	0	(1,157,329)
Support Services:					
Pupil	799,902	0	31,835	0	(768,067)
Instructional Staff	1,555,666	0	565,838	0	(989,828)
General Administration	208,764	0	0	0	(208,764)
School Administration	1,657,079	0	0	0	(1,657,079)
Fiscal	700,730	40	20,500	0	(680,190)
Business	389,276	0	0	0	(389,276)
Operations and Maintenance	2,156,151	5,322	9,343	630,867	(1,510,619)
Pupil Transportation	1,104,391	0	51,537	12,223	(1,040,631)
Central	308,097	0	26,181	0	(281,916)
Operation of Non-Instructional Services	1,250,959	591,268	422,216	0	(237,475)
Extracurricular Activities	566,816	83,357	0	0	(483,459)
Interest and Fiscal Charges	690,880	0	0	0	(690,880)
Total Governmental Activities	\$27,425,931	\$1,219,151	\$3,636,115	\$643,090	(21,927,575)

General Revenues:

Income Taxes	4,059,139
Property Taxes Levied for:	
General Purposes	10,891,042
Special Revenue Purposes	211,979
Debt Service Purposes	1,551,798
Capital Projects Purposes	107,841
Grants and Entitlements not Restricted to Specific Programs	8,749,056
Unrestricted Contributions	57,228
Investment Earnings	496,238
Refunds and Reimbursements	52,500
Other Revenues	259,451
Total General Revenues	26,436,272
Change in Net Assets	4,508,697
Net Assets Beginning of Year, Restated	11,863,170
Net Assets End of Year	\$16,371,867

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,652,054	\$2,292,733	\$1,269,356	\$7,214,143
Restricted Cash and Investments	106,705	0	0	106,705
Receivables:				
Taxes	17,791,542	1,722,931	353,160	19,867,633
Accounts	95,143	0	1,383	96,526
Interest	45,226	0	540	45,766
Intergovernmental	0	0	1,026,282	1,026,282
Interfund	158,000	0	0	158,000
Total Assets	21,848,670	4,015,664	2,650,721	28,515,055
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	101,363	0	11,500	112,863
Accrued Wages and Benefits	2,192,780	0	300,099	2,492,879
Compensated Absences	112,356	0	827	113,183
Interfund Payable	0	0	158,000	158,000
Deferred Revenue	15,064,230	1,541,754	1,279,716	17,885,700
Total Liabilities	17,470,729	1,541,754	1,750,142	20,762,625
Fund Balances:				
Reserved for Encumbrances	207,979	0	34,526	242,505
Reserved for Property Tax Advances	1,287,970	181,177	39,517	1,508,664
Reserved for Set-Aside	106,705	0	0	106,705
Unreserved, Undesignated, Reported in:				
General Fund	2,775,287	0	0	2,775,287
Special Revenue Funds	0	0	788,168	788,168
Debt Service Funds	0	2,292,733	0	2,292,733
Capital Projects Funds	0	0	38,368	38,368
Total Fund Balances	4,377,941	2,473,910	900,579	7,752,430
Total Liabilities and Fund Balances	\$21,848,670	\$4,015,664	\$2,650,721	\$28,515,055

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2006

Total Governmental Fund Balance		\$7,752,430
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,994,725
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,028,387	
Intergovernmental	<u>966,073</u>	
		1,994,460
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		260,796
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(36,671)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(746,268)</u>	
		(746,268)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		69,288
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(11,916,893)</u>
Net Assets of Governmental Activities		<u><u>\$16,371,867</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$14,212,473	\$1,477,338	\$305,604	\$15,995,415
Tuition and Fees	535,889	0	0	535,889
Investment Earnings	403,132	80,251	12,856	496,239
Intergovernmental	9,430,094	175,571	1,971,947	11,577,612
Extracurricular Activities	0	0	83,357	83,357
Charges for Services	0	0	591,247	591,247
Other Revenues	90,059	0	177,004	267,063
Total Revenues	24,671,647	1,733,160	3,142,015	29,546,822
Expenditures:				
Current:				
Instruction:				
Regular	10,781,141	0	418,312	11,199,453
Special	1,891,612	0	778,615	2,670,227
Vocational	320,325	0	0	320,325
Other	1,216,688	0	0	1,216,688
Support Services:				
Pupil	704,473	0	107,082	811,555
Instructional Staff	1,204,873	0	333,437	1,538,310
General Administration	195,544	0	0	195,544
School Administration	1,560,950	0	0	1,560,950
Fiscal	670,318	33,605	6,590	710,513
Business	380,694	0	0	380,694
Operations and Maintenance	2,051,399	0	0	2,051,399
Pupil Transportation	1,926,681	0	0	1,926,681
Central	243,782	0	34,243	278,025
Operation of Non-Instructional Services	31,000	0	1,217,512	1,248,512
Extracurricular Activities	402,576	0	165,335	567,911
Capital Outlay	0	0	355,796	355,796
Debt Service:				
Principal Retirement	0	1,130,000	0	1,130,000
Interest and Fiscal Charges	15,441	517,406	0	532,847
Total Expenditures	23,597,497	1,681,011	3,416,922	28,695,430
Excess of Revenues Over (Under) Expenditures	1,074,150	52,149	(274,907)	851,392
Other Financing Sources (Uses):				
Proceeds of Capital Leases	751,000	0	0	751,000
Proceeds from Sale of Capital Assets	20,828	0	0	20,828
Refunding Bond Premium	0	230,893	0	230,893
Payments to Refunding Bond Escrow Agent	0	(3,395,893)	0	(3,395,893)
Issuance of Refunding Bonds	0	3,165,000	0	3,165,000
Transfers In	0	0	39,338	39,338
Transfers (Out)	(35,701)	(3,637)	0	(39,338)
Total Other Financing Sources (Uses)	736,127	(3,637)	39,338	771,828
Net Change in Fund Balance	1,810,277	48,512	(235,569)	1,623,220
Fund Balance Beginning of Year	2,567,664	2,425,398	1,136,148	6,129,210
Fund Balance End of Year	\$4,377,941	\$2,473,910	\$900,579	\$7,752,430

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, 2006

Net Change in Fund Balance - Total Governmental Funds \$1,623,220

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

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

Capital assets used in governmental activities	1,918,502	
Depreciation Expense	<u>(978,455)</u>	940,047

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (2,704)

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

Delinquent Property Taxes	776,168	
Intergovernmental	<u>962,647</u>	1,738,815

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	69,288	
Premium on Bonds Issued	<u>(230,893)</u>	(161,605)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,130,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 3,572

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	<u>(24,955)</u>	(24,955)
----------------------	-----------------	----------

The internal service fund used by management to charge back costs to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 13,307

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (751,000)

Change in Net Assets of Governmental Activities \$4,508,697

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Governmental Activities- Internal Service Fund</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$278,020</u>
Total Assets	<u>278,020</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	3,790
Claims Payable	<u>13,434</u>
Total Liabilities	<u>17,224</u>
Net Assets:	
Unrestricted	<u>260,796</u>
Total Net Assets	<u><u>\$260,796</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$191,736</u>
Total Operating Revenues	<u>191,736</u>
Operating Expenses:	
Claims Expense	<u>178,429</u>
Total Operating Expenses	<u>178,429</u>
Operating Income (Loss)	<u>13,307</u>
Change in Net Assets	13,307
Net Assets Beginning of Year	<u>247,489</u>
Net Assets End of Year	<u><u>\$260,796</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	Governmental Activities- Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$191,736
Cash Payments for Claims	<u>(215,432)</u>
Net Cash Provided (Used) by Operating Activities	<u>(23,696)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(23,696)
Cash and Cash Equivalents Beginning of Year	<u>301,716</u>
Cash and Cash Equivalents End of Year	<u><u>278,020</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	13,307
Changes in Assets & Liabilities:	
Increase (Decrease) in Payables	<u>(37,003)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$23,696)</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$0	\$68,330
Total Assets	<u>0</u>	<u>\$68,330</u>
Liabilities:		
Accounts Payable	0	1,428
Other Liabilities	<u>0</u>	<u>66,902</u>
Total Liabilities	<u>0</u>	<u>\$68,330</u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
Additions:	
Donations	<u>\$0</u>
Total Additions	<u>0</u>
Deductions:	
Scholarships	<u>10</u>
Total Deductions	<u>10</u>
Change in Net Assets	(10)
Net Assets Beginning of Year	<u>10</u>
Net Assets End of Year	<u><u>\$0</u></u>

See accompanying notes to the Basic Financial Statements.

WILMINGTON CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006

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 134 non-certificated and 209 certificated teaching personnel and 22 administrative employees to provide service to 3,228 students and other community members.

REPORTING ENTITY

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

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

The District is associated with three organizations that are defined as jointly governed organizations. These organizations include Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Hopewell Special Education Regional Resource Center and Miami Valley Educational Computer Association. These organizations are presented in Note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Fiduciary funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

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

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

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

Proprietary Funds

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

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust which accounts for scholarship programs for students and an agency fund which accounts for assets and liabilities generated by student managed activities.

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$403,132, \$80,251 in the debt service fund and \$12,856 in the other governmental fund.

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

INVENTORY

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

CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000). 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. Interest incurred during the construction of capital assets is also capitalized.

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

COMPENSATED ABSENCES

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

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

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

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

<u>VACATION</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	20 days depending on length of service	10-20 days depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
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	210 days	230 days	200 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

NET ASSETS

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

INTERFUND ACTIVITY

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

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

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

FUND EQUITY

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

RESTRICTED ASSETS

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

ACCRUED LIABILITIES AND LONG TERM OBLIGATIONS

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

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

ESTIMATES

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

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$2,902,671 of the District's bank balance of \$3,202,671 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$28,683	0.00
Repurchase Agreement	4,117,039	0.00
Federal Home Loan Bank	321,710	1.70
Federal Home Loan Mortgage	100,000	2.16
Federal National Mortgage Association	<u>24,607</u>	1.02
Total Fair Value	<u>\$4,592,039</u>	
Portfolio Weighted Average Maturity		0.17

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

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

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested .6% of the District’s investments in Money Market Funds, 7% in Federal Home Loan Bank, 2.2% in Federal Home Loan Mortgage, less than .5% in Federal National Mortgage Association and 89.7% in Repurchase Agreements.

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

5. PROPERTY TAXES

Real property taxes collected in 2006 were levied in April on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2006, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2006, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$1,287,970 for General Fund, \$181,177 for Debt Service \$39,517 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$415,944,810
Public Utility Personal	71,546,538
Tangible Personal Property	<u>18,512,170</u>
Total	<u>\$506,003,518</u>

6. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts (rent and student fees), interest, 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.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
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	25,389,659	964,980	0	26,354,639
Furniture and Equipment	8,872,194	953,522	400,410	9,425,306
Totals at Historical Cost	<u>\$34,886,780</u>	<u>\$1,918,502</u>	<u>\$400,410</u>	<u>\$36,404,872</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$9,263,041	\$725,095	\$0	\$9,988,136
Furniture and Equipment	7,566,357	253,360	397,706	7,422,011
Total Accumulated Depreciation	<u>16,829,398</u>	<u>978,455</u>	<u>397,706</u>	<u>17,410,147</u>
Governmental Activities Capital Assets, Net	<u>\$18,057,382</u>	<u>\$940,047</u>	<u>\$2,704</u>	<u>\$18,994,725</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$596,679
Special	51,402
Vocational	7,251
Support Services:	
Pupil	1,842
Instructional Staff	18,944
General Administration	13,220
School Administration	93,720
Fiscal	139
Business	3,426
Operations and Maintenance	86,926
Pupil Transportation	61,167
Central	21,753
Operation of Non-Instructional Services	21,431
Extracurricular Activities	555
Total Depreciation Expense	<u>\$978,455</u>

8. 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%	\$6,720,000	\$0	\$3,455,000	\$3,265,000	\$300,000
Bond Refunding	3.80%	5,345,000	0	840,000	4,505,000	825,000
2006 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	3.50%	0	3,055,000	0	3,055,000	75,000
Capital Appreciation Bonds	3.50%	0	110,000	0	110,000	0
Premium on 2006 Refunding Bonds		0	230,893	0	230,893	15,393
Total General Obligation Bonds		12,065,000	3,395,893	4,295,000	11,165,893	1,215,393
Capital Leases		0	751,000	0	751,000	65,000
Total Long Term Debt		12,065,000	4,146,893	4,295,000	11,916,893	1,280,393
Compensated Absences		767,161	359,880	267,590	859,451	314,605
Total Governmental Activities		<u>\$12,832,161</u>	<u>\$4,506,773</u>	<u>\$4,562,590</u>	<u>\$12,776,344</u>	<u>\$1,594,998</u>

* Bonds were partially refunded during the fiscal year. The refunded amount for the High School Addition Renovation Bond was \$3,165,000, \$290,000 was the principal payment.

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

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$1,200,000	\$417,703	\$1,617,703	\$0	\$0	\$0
2008	1,155,000	372,625	1,527,625	0	0	0
2009	1,155,000	326,048	1,481,048	0	0	0
2010	1,160,000	278,126	1,438,126	0	0	0
2011	1,170,000	228,320	1,398,320	0	0	0
2012-2016	2,305,000	1,983,322	4,288,322	490,000	0	490,000
2017-2021	2,680,000	276,200	2,956,200	0	0	0
Total	<u>\$10,825,000</u>	<u>\$3,882,344</u>	<u>\$14,707,344</u>	<u>\$490,000</u>	<u>\$0</u>	<u>\$490,000</u>

9. ADVANCED REFUNDING

On March 22, 2006, the District issued \$3,165,000 in General Obligation bonds with an average interest rate of 3.50%, which was used to advance refund \$3,165,000 of outstanding 1998 Series bonds with an average interest rate of 4.98%. In addition to the bond proceeds, the District received \$230,893 in premiums. The District purchased \$3,395,893 in U.S. Government Securities which were in place in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1998 Series bonds. As a result, \$3,165,000 of the 1998 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The District advance refunded the 1998 Series bonds to reduce its total debt service payments by \$187,067 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$137,614.

10. CAPITAL LEASES – LESSEE DISCLOSURE

The capital lease proceeds were recorded in the General Fund relates to the purchase of school buses for the School District. The School 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 School District made an interest payment to U.S. Bank National Association. The lease is renewable annually and expires in 2016. The intention of the School District is to renew the lease annually.

At fiscal year-end, the District drew down all the money to purchase the busses. The District will begin making principal payments in fiscal year 2007. The principal amount owed on the lease at year end is \$751,000.

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 following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

Fiscal Year <u>Ending June 30,</u>	Long-Term <u>Debt</u>
2007	\$81,597
2008	97,321
2009	97,360
2010	96,268
2011	95,084
2012-2016	<u>457,454</u>
Total Minimum Lease Payments	925,084
Less: Amount Representing Interest (3.50%)	(168,176)
Less: Additional Program Cost Component	<u>(5,908)</u>
Present Value of Minimum Lease Payments	<u>\$751,000</u>

11. DEFINED BENEFIT PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$467,772, \$388,578, and \$359,640, respectively; 49% has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS website at strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2006, 2005, and 2004 were \$1,636,872, \$1,514,024, and \$1,427,700, respectively, 83% has been contributed for fiscal year 2006, and 100 percent for the fiscal years 2005 and 2004.

12. POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$116,919 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. For the District, this amount equaled \$114,604 for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

13. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2006.

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.

14. JOINTLY GOVERNED ORGANIZATION

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

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

The District is a participant in the **Miami Valley Educational Computer Association (MVECA)** which is a computer consortium A-site used by the District. MVECA is an association of 27 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.

15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine and property insurance from private carriers. General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$4,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 bodily injury and \$250,000 property damage per accident as well as uninsured motorist coverage. In addition, the District maintains property damage insurance on the buildings and contents in the amount of \$53,349,237.

Dental insurance is offered to employees through a self-insurance internal service fund. The claims liability reported in the internal service fund at June 30, 2006, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of cost relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2006	\$48,842	\$207,072	\$182,463	\$73,451
2005	29,211	199,813	180,182	48,842

16. ACCOUNTABILITY

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Public School	\$22,526
Poverty Impact Aid	5,761
Special Education	16,189
Title I	29,707
IDEA PreSchool Grant	1,054
Improving Teacher Quality	3,796

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2006, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2005	(\$1,086,331)	\$0	\$57,982
Current Year Set-aside Requirement	480,990	480,990	0
Qualified Disbursements	(800,029)	(432,267)	0
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>(\$1,405,370)</u>	<u>\$48,723</u>	<u>\$57,982</u>
Restricted Cash as of June 30, 2006	<u>\$106,705</u>		

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

Expenditures for capital activity during the year totaled \$432,267. Although the District may have had qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years. Expenditures for textbooks totaled \$800,029. The District may carry forward \$1,405,370 to offset textbook requirements in future years.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2006, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$158,000	0	\$0	\$35,701
Debt Service	0	0	0	3,637
Other Governmental Funds	<u>0</u>	<u>158,000</u>	<u>39,338</u>	<u>0</u>
	<u>\$158,000</u>	<u>\$158,000</u>	<u>\$39,338</u>	<u>\$39,338</u>

Transfers 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.

19. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to restate capital assets at June 30, 2005 due to corrections completed on the capital asset detail in the prior year. This restatement had the following effect on net assets at June 30, 2005:

	Governmental <u>Activities</u>
Net assets as previously reported	\$11,665,698
Restatement for capital assets	<u>197,472</u>
Net assets, restated at July 1, 2005	<u>\$11,863,170</u>

20. CHANGES IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Wilmington City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,389,829	\$13,595,502	\$13,595,502	\$0
Tuition and Fees	404,596	425,593	443,968	18,375
Investment Earnings	326,166	342,327	357,906	15,579
Intergovernmental	8,602,666	9,081,237	9,439,804	358,567
Other Revenues	84,357	92,163	92,566	403
Total Revenues	21,807,614	23,536,822	23,929,746	392,924
Expenditures:				
Current:				
Instruction:				
Regular	10,308,931	10,807,128	10,807,128	0
Special	1,781,756	1,867,862	1,867,862	0
Vocational	318,808	334,215	334,215	0
Other	1,194,753	1,252,492	1,252,492	0
Support Services:				
Pupil	677,490	710,231	710,231	0
Instructional Staff	1,172,692	1,229,364	1,229,364	0
General Administration	211,235	221,443	221,443	0
School Administration	1,483,171	1,554,848	1,554,848	0
Fiscal	620,951	650,960	650,960	0
Business	461,270	483,562	483,562	0
Operations and Maintenance	1,987,611	2,083,666	2,083,666	0
Pupil Transportation	1,844,409	1,933,543	1,933,543	0
Central	235,391	246,767	246,767	0
Operation of Non-Instructional Services	29,571	31,000	31,000	0
Extracurricular Activities	382,573	401,061	401,061	0
Debt Service:				
Interest and Fiscal Charges	14,729	15,441	15,441	0
Total Expenditures	22,725,341	23,823,583	23,823,583	0
Excess of Revenues Over (Under) Expenditures	(917,727)	(286,761)	106,163	392,924
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	18,981	20,828	20,828	0
Proceeds of Short-Term Notes	684,400	751,000	751,000	0
Advances In	28,727	31,522	31,522	0
Advances (Out)	(143,085)	(150,000)	(150,000)	0
Transfers (Out)	(34,437)	(36,101)	(36,101)	0
Total Other Financing Sources (Uses)	554,586	617,249	617,249	0
Net Change in Fund Balance	(363,141)	330,488	723,412	392,924
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,767,221	2,767,221	2,767,221	0
Fund Balance End of Year	\$2,404,080	\$3,097,709	\$3,490,633	\$392,924

See accompanying notes to the required supplementary information.

WILMINGTON CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2006

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 2006.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,810,277
Net Adjustment for Revenue Accruals	(710,379)
Net Adjustment for Expenditure Accruals	(108,364)
Encumbrances	<u>(268,122)</u>
 Budget Basis	 <u>\$723,412</u>

This page intentionally left blank.

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	None	10.550	\$0	\$32,653	\$0	\$32,653
Nutrition Cluster:						
National School Breakfast Program	05-PU-2005 05-PU-2006	10.553	12,729 79,510	----- -----	12,729 79,510	----- -----
National School Lunch	LLP4-2005 LLP4-2006	10.555	49,237 258,910	----- -----	49,237 258,910	----- -----
Total Nutrition Cluster			400,386	-----	400,386	-----
Total U.S. Department of Agriculture			400,386	32,653	400,386	32,653
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
<i>Education Consolidation and Improvement Act</i>						
Title I - FY 05	C1-S1-05	84.010	68,370	-----	68,045	-----
Title I - FY 06	C1-S1-06		436,653	-----	385,000	-----
<i>Total Title I</i>			505,023	0	453,045	0
<i>Special Education Cluster:</i>						
<i>Special Education Grants to States</i>						
IDEA Part B - FY05	6BSF-2005	84.027	112,472	-----	97,288	-----
IDEA Part B - FY06	6BSF-2006		635,950	-----	561,267	-----
<i>Educational Handicapped Preschool</i>						
Preschool Subsidy - FY 05	PG-S1-2005	84.173	2,541	-----	3,027	-----
Preschool Subsidy - FY 06	PG-S1-2006		13,902	-----	12,170	-----
<i>Total Special Education Cluster</i>			764,865	0	673,752	0
<i>Drug Free Schools</i>						
Drug Free Education - Subsidy - FY 06	DR-S1-06	84.186	21,535	-----	21,535	-----
<i>Total Drug Free School Grants</i>			21,535	0	21,535	0
<i>Innovative Educational Program Strategies</i>						
Innovative Ed - FY 05	C2-S1-05	84.298	413	-----	1,495	-----
Innovative Ed - FY 06	C2-S1-06		9,141	-----	9,937	-----
<i>Total Innovative Ed</i>			9,554	0	11,432	0
<i>Additional Programs:</i>						
Educational Technology - FY 05	TJ-S1-05	84.318	10,346	-----	10,643	-----
Educational Technology - FY 06	TJ-S1-06		8,030	-----	8,895	-----
Advanced Placement Program	AV-S1-01	84.330	380	-----	380	-----
Comprehensive School Reform - FY05	RF-CC-05	84.332		-----	39,235	-----
Comprehensive School Reform - FY06	RF-CC-06		50,000		50,000	
Improving Teacher Quality - FY 05	TR-S1-05	84.367	-----	-----	12,422	-----
Improving Teacher Quality - FY 06	TR-S1-06		142,612	-----	124,374	-----
<i>Total Additional Programs</i>			211,368	0	245,949	0
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
<i>Vocational Education Basic Grants to States</i>						
Career Education - FY05	N/A	84.048	-----		2,419	
Career Education - FY06			8,469	-----	6,352	-----
<i>Total Vocational Education</i>			8,469		8,771	
Total Department of Education			1,520,814	0	1,414,484	0
U.S. DEPARTMENT OF HUMAN SERVICES						
<i>Passed through Ohio Department of MRDD:</i>						
Medical Assistance Program/CAFS	N/A	93.778	30,438	-----	30,438	-----
Total Department of Human Services			30,438	0	30,438	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$1,951,638	\$32,653	\$1,845,308	\$32,653

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

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received. At June 30, 2006, the District had no significant food commodities in inventory.

NOTE D – COMMUNITY ALTERNATIVE FUNDING SYSTEM

Receipts for this grant are posted to the general fund. It is assumed federal monies are expended first.



Mary Taylor, CPA

Auditor of State

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

Wilmington City School District
Clinton County
741 South Nelson Ave.
Wilmington, Ohio 45177

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated July 3, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated July 3, 2007, we reported a matter related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

July 3, 2007



Mary Taylor, CPA

Auditor of State

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

Wilmington City School District
Clinton County
741 South Nelson Ave.
Wilmington, Ohio 45177

Compliance

We have audited the compliance of the Wilmington City School District, Clinton County, Ohio, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended July 3, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Wilmington City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

We intend this report solely for the information and use of the District's elected officials, management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

July 3, 2007

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	IDEA Part B, CFDA # 84.027 and Educational Handicapped Preschool 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?	Yes

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

FINDING NUMBER 2006-001

Reportable Condition

A good internal control system for the lunchroom includes monitoring receipts, comparing receipts to deposits, and verifying that proper accounts are credited. During the 2006 fiscal year, the District utilized a computerized point-of-sale system to account for daily food service receipts. The point-of-sale system creates an individual student account for all students within the District. Every student has an ID number which is used to receipt money and post charges against the account. Students use a swipe card or enter a pin number into a punch pad to process daily lunch activity. The point-of-sale system automatically updates the individual student account.

The District does not have internal control procedures in place to properly monitor food service activity. No system was in place for the District to determine that an individual food service transaction was processed completely and accurately through the system. The District did not have a process in place to match daily amounts received by the lunchroom to detailed daily lunchroom activity reports, however; the daily CN6 and CN7 amounts were compiled and applied automatically by the point of sale system; manual changes were made to the count amounts prior to submission to ODE without supporting documentation being maintained.

**FINDING NUMBER 2006-001
(Continued)**

The lack of proper monitoring of lunchroom activities and the lack of detailed transaction reports increases the risk that errors or irregularities could occur and not be detected by management. This could lead to student or District monies being diverted or lost without management's knowledge.

We recommend that a list be prepared for all monies collected from students at the elementary level and a detailed report of daily activity be prepared for each register. Daily comparisons should be made of lunchroom activity to deposit amounts. The daily terminal reports should be reviewed for accuracy by District personnel; the reviewer should document this review by signing or initialing the report. CN6 and CN7 report amounts should be compared to counts submitted to ODE with any changes noted. We recommend that the District personnel periodically test a sample of student accounts by tracing daily transactions into the individual account, tracing deposits into a sample of the accounts, and reviewing a sample of individual accounts for unusual transactions (such as large debits or credits, multiple lunches being purchased by one student, multiple voids or negative receipt entries, and other unexplained unusual transactions).

Officials' Response

In September, 2006, we established new procedures for depositing lunchroom receipts. This was made possible by a new point-of-sale system which allowed us to prepare daily reports showing the deposits credited to each student's account. This report is compared to the cash deposited into the bank. Any discrepancies are researched and resolved, or brought to the attention of management. The lunchroom staff have been trained extensively and understand the importance of this control. In addition, there is separation of duties so that recording, depositing and reconciling are performed by different people.

FINDING NUMBER 2006-002

Reportable Condition

The District's Bylaw 7455 states that the Board of Education shall maintain a fixed-asset, accounting system. The fixed-asset system shall maintain sufficient information to permit the preparation of year-end financial statements in accordance with generally-accepted accounting principles, adequate insurance coverage and control and accountability.

The District's capital asset register was not being properly maintained. The additions and deletions to the capital asset register were incomplete and not up-to-date. Some of the capital assets purchased during fiscal year 2006 were not included on the District's Brief Asset Listing. Failure to maintain accurate capital assets listing increases the difficulty in reconstruction of prior records, creates the potential for inaccurate accounting of current and future assets, and cause improper reporting of all capital assets in the financial statements. Additional procedures were used to determine the proper amount of capital assets. We recommend the District develop a process to update their capital asset inventory records continuously throughout the year noting all additions and dispositions of capital assets. We also recommend that the capital asset register be reviewed and updated periodically to determine if the report is accurate and complete. Maintaining an accurate capital asset record will help provide valuations for insurance purposes and help reduce the likelihood of misappropriations of capital assets.

**FINDING NUMBER 2006-002
(Continued)**

Officials' Response

Finding Number 2006-002 stated that the District's capital asset register was not properly maintained. There were inaccuracies on the register and the recommendation was made to audit the register throughout the year to ensure for completeness and accuracy. We have initiated better training of personnel who are responsible for recording capital assets so that they can better identify those items that qualify. We have also discussed the issue with those submitting requisitions to help us identify additions or changes to assets. We have educated administrators to be diligent in notifying us of disposals. We have investigated the reporting tools which are available in the fixed asset system to help us edit for inaccuracies. These tools are now being used to conduct a quarterly comparison of invoices to make sure they have been properly added. Finally, on a related note, the Board passed a resolution to raise the capitalization criteria for assets from \$1,000 to \$5,000.

We have reviewed the new procedures with the State Auditors conducting our audit and incorporated any input and recommendations from them. We think that these controls will correct the deficiencies noted. We think this will ensure accuracy and protect cash assets.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

WILMINGTON CITY SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 26, 2007**