



Mary Taylor, CPA  
Auditor of State



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Wilmington City School District  
Clinton County  
341 S. Nelson 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 Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2009, 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, 2009, 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 February 16, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 16, 2010

**Wilmington City School District  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2009  
(Unaudited)**

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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, 2009. 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 2009 are as follows:

- Net assets of governmental activities increased \$1,544,422 which represents a 9% increase from 2008.
- General revenues accounted for \$24,476,795 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,574,092 or 19% of total revenues of \$30,050,887 .
- The District had \$28,506,465 in expenses related to governmental activities; \$5,574,092 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$24,476,795 were also used to provide for these programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

## Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2009.” 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 funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

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

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

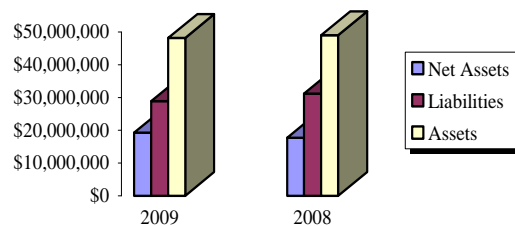


## The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2009 compared to 2008:

Table 1  
Net Assets

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2009                    | 2008                |
| <b>Assets:</b>                                  |                         |                     |
| Current and Other Assets                        | \$29,600,952            | \$31,031,588        |
| Capital Assets                                  | 18,589,746              | 17,916,590          |
| <b>Total Assets</b>                             | <b>48,190,698</b>       | <b>48,948,178</b>   |
| <b>Liabilities:</b>                             |                         |                     |
| Other Liabilities                               | 18,398,526              | 19,317,346          |
| Long-Term Liabilities                           | 10,509,138              | 11,892,220          |
| <b>Total Liabilities</b>                        | <b>28,907,664</b>       | <b>31,209,566</b>   |
| <b>Net Assets:</b>                              |                         |                     |
| Invested in Capital Assets, Net of Related Debt | 9,142,032               | 7,161,483           |
| Restricted                                      | 4,667,039               | 4,696,454           |
| Unrestricted                                    | 5,473,963               | 5,880,675           |
| <b>Total Net Assets</b>                         | <b>\$19,283,034</b>     | <b>\$17,738,612</b> |



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$19,283,034 .

At year-end, capital assets represented 39% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2009, was \$9,142,032. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,667,039 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Net assets of governmental activities increased from 2008 to 2009, which represents an overall improvement in financial position. Capital assets increased mainly due to the additions for the current year were greater than depreciation expense. Other liabilities decreased from prior year due to a decrease in accounts payable and a decrease in unearned revenue, which was mainly due to a corresponding decrease in taxes receivable.

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Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

Table 2  
Changes in Net Assets

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2009                    | 2008                |
| Revenues:   |                         |                     |
| Program Revenues  |                         |                     |
| Charges for Services  | \$1,386,639             | \$1,412,351         |
| Operating Grants, Contributions                                       | 4,160,381               | 2,893,434           |
| Capital Grants and Contributions                                      | 27,072                  | 29,155              |
| General Revenues:   |                         |                     |
| Income Taxes  | 3,956,013               | 4,035,004           |
| Property Taxes  | 9,554,619               | 11,164,272          |
| Grants and Entitlements   | 10,144,074              | 9,689,135           |
| Other   | 822,089                 | 572,563             |
| Total Revenues  | <u>30,050,887</u>       | <u>29,795,914</u>   |
| Program Expenses:   |                         |                     |
| Instruction   | 17,150,853              | 17,133,424          |
| Support Services:   |                         |                     |
| Pupil and Instructional Staff   | 2,831,884               | 2,789,964           |
| School Administrative, General<br>Administration, Fiscal and Business | 2,977,404               | 3,064,778           |
| Operations and Maintenance  | 1,625,234               | 1,901,844           |
| Pupil Transportation  | 1,332,405               | 1,369,149           |
| Central   | 243,393                 | 268,437             |
| Operation of Non-Instructional Services                               | 1,337,596               | 1,333,756           |
| Extracurricular Activities  | 585,091                 | 586,763             |
| Interest and Fiscal Charges   | 422,605                 | 414,690             |
| Total Program Expenses  | <u>28,506,465</u>       | <u>28,862,805</u>   |
| Change in Net Assets  | 1,544,422               | 933,109             |
| Net Assets Beginning of Year  | <u>17,738,612</u>       | <u>16,805,503</u>   |
| Net Assets End of Year  | <u>\$19,283,034</u>     | <u>\$17,738,612</u> |

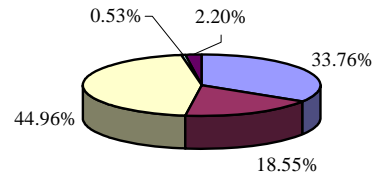
The District revenues are mainly from three sources. Income taxes, property taxes levied for general, special revenue, debt services, and capital projects purposes and grants and entitlements comprised 79% of the District's revenues for governmental activities.

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

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property and Income taxes made up 45% of revenue for governmental activities for the District in fiscal year 2009.

Make up of revenues for the District:

| <u>Revenue Sources</u> | <u>2009</u>         | <u>Percent<br/>of Total</u> |
|------------------------|---------------------|-----------------------------|
| General Grants         | \$10,144,074        | 33.76%                      |
| Program Revenues       | 5,574,092           | 18.55%                      |
| General Tax Revenues   | 13,510,632          | 44.96%                      |
| Investment Earnings    | 159,867             | 0.53%                       |
| Other Revenues         | 662,222             | 2.20%                       |
|                        | <u>\$30,050,887</u> | <u>100.00%</u>              |



Instruction comprises 60.2% of governmental program expenses. Support services expenses were 31.6% of governmental program expenses. All other expenses including interest expense were 8.2%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property taxes revenue decrease from 2008 due to the decrease in the amount of property taxes that were available for advances at year end and the phasing out of the tax on tangible personal property (House Bill 66). Operating Grants increased mainly due to an increase in grant monies (intergovernmental revenue) received in 2009 compared to 2008. 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  |                       |
|---|------------------------|---------------------|-----------------------|-----------------------|
|   | 2009                   | 2008                | 2009                  | 2008                  |
| Instruction                             | \$17,150,853           | \$17,133,424        | (\$13,824,476)        | (\$14,785,522)        |
| Support Services:                       |                        |                     |                       |                       |
| Pupil and Instructional Staff           | 2,831,884              | 2,789,964           | (2,233,185)           | (2,329,168)           |
| School Administrative, General          |                        |                     |                       |                       |
| Administration, Fiscal and Business     | 2,977,404              | 3,064,778           | (2,930,709)           | (3,022,113)           |
| Operations and Maintenance              | 1,625,234              | 1,901,844           | (1,616,084)           | (1,897,419)           |
| Pupil Transportation                    | 1,332,405              | 1,369,149           | (1,259,584)           | (1,307,782)           |
| Central                                 | 243,393                | 268,437             | (200,487)             | (234,868)             |
| Operation of Non-Instructional Services | 1,337,596              | 1,333,756           | 28,790                | (63,657)              |
| Extracurricular Activities              | 585,091                | 586,763             | (474,033)             | (472,646)             |
| Interest and Fiscal Charges             | 422,605                | 414,690             | (422,605)             | (414,690)             |
| Total Expenses                          | <u>\$28,506,465</u>    | <u>\$28,862,805</u> | <u>(\$22,932,373)</u> | <u>(\$24,527,865)</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 \$22,992,958 (77%) and the debt service fund comprised \$3,552,050 (12%) of the total \$29,726,955 governmental funds assets.

**General Fund:** Fund balance at June 30, 2009 was \$4,964,877 including \$3,456,881 of unreserved balance. The primary reason for the decrease in fund balance was due to expenditures for the District being greater than revenues by approximately 2%.

**Debt Service Fund:** Fund balance at June 30, 2009 was \$2,133,794 including \$2,046,243 of unreserved balance. The primary reason for the decrease in fund balance was due to expenditures for the District being greater than revenues by approximately 8%.

## General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended its general fund budget during the year. The District's budgeting systems are designed to tightly control total budgets but provide flexibility for management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$25,016,100, compared to original budget estimates of \$24,535,294. Of this \$480,806 difference, most was due to a difference in estimates for taxes and intergovernmental revenues.

The District's ending unobligated actual fund balance for the General Fund was \$1,237,480 more than the final budget amount.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal year 2009, the District had \$18,589,746 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

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

|                            | Governmental Activities |                     |
|----------------------------|-------------------------|---------------------|
|                            | 2009                    | 2008                |
| Land                       | \$624,927               | \$624,927           |
| Buildings and Improvements | 16,659,388              | 15,864,752          |
| Equipment                  | 1,305,431               | 1,426,911           |
| Total Net Capital Assets   | <u>\$18,589,746</u>     | <u>\$17,916,590</u> |

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

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

### Debt

At June 30, 2009, the District had \$9,518,706 in bonds and capital leases outstanding, \$1,302,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5  
Outstanding Debt, at Year End

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2009                    | 2008                |
| Governmental Activities:                          |                         |                     |
| Wilmington H.S. Addition Renovation               | \$2,325,000             | \$2,650,000         |
| 2001 Refunding Bonds                              | 2,060,000               | 2,865,000           |
| 2006 Refunding Bonds:                             |                         |                     |
| Current Interest Bonds -                          |                         |                     |
| School Improvement                                | 2,930,000               | 2,955,000           |
| Capital Appreciation Bonds                        | 110,000                 | 110,000             |
| Capital Appreciation Bonds - Compounding Interest | 70,992                  | 43,310              |
| Premium on 2006 Refunding Bonds                   | 184,714                 | 200,107             |
| Capital Leases                                    | <u>1,838,000</u>        | <u>1,975,000</u>    |
| Total Bonds and Capital Leases                    | <u>\$9,518,706</u>      | <u>\$10,798,417</u> |

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

## **For the Future**

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

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

The Five Year Forecast projects that the District will be expending more than its receipts in fiscal year 2010 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](mailto:holly.cahall@wilmington.k12.oh.us).

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Wilmington City School District  
Statement of Net Assets  
June 30, 2009

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Assets:   |                                    |
| Equity in Pooled Cash and Investments           | \$8,333,623                        |
| Restricted Cash and Investments                 | 57,982                             |
| Receivables:                                    |                                    |
| Taxes   | 19,248,839                         |
| Accounts  | 48,539                             |
| Interest  | 3,700                              |
| Intergovernmental                               | 1,332,439                          |
| Notes   | 514,918                            |
| Deferred Bond Issuance Costs                    | 55,431                             |
| Inventory                                       | 5,481                              |
| Nondepreciable Capital Assets                   | 624,927                            |
| Depreciable Capital Assets, Net                 | <u>17,964,819</u>                  |
| <br>Total Assets                                | <br><u>48,190,698</u>              |
| Liabilities:                                    |                                    |
| Accounts Payable                                | 88,651                             |
| Accrued Wages and Benefits                      | 2,756,146                          |
| Accrued Interest Payable                        | 29,598                             |
| Unearned Revenue                                | 15,524,131                         |
| Long-Term Liabilities:                          |                                    |
| Due Within One Year                             | 1,487,662                          |
| Due In More Than One Year                       | <u>9,021,476</u>                   |
| <br>Total Liabilities                           | <br><u>28,907,664</u>              |
| Net Assets:                                     |                                    |
| Invested in Capital Assets, Net of Related Debt | 9,142,032                          |
| Restricted for:                                 |                                    |
| Special Revenue                                 | 2,097,052                          |
| Debt Service                                    | 2,327,503                          |
| Capital Projects                                | 184,502                            |
| Set-Aside                                       | 57,982                             |
| Unrestricted                                    | <u>5,473,963</u>                   |
| <br>Total Net Assets                            | <br><u>\$19,283,034</u>            |

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

|   | Expenses            | Program Revenues               |                                    |                                  |
|---|---------------------|--------------------------------|------------------------------------|----------------------------------|
|   |                     | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities:                |                     |                                |                                    |                                  |
| Instruction:                            |                     |                                |                                    |                                  |
| Regular                                 | \$13,261,412        | \$652,493                      | \$201,278                          | \$0                              |
| Special                                 | 3,139,875           | 27,318                         | 2,301,418                          | 0                                |
| Vocational                              | 287,418             | 235                            | 42,628                             | 0                                |
| Other                                   | 462,148             | 0                              | 101,007                            | 0                                |
| Support Services:                       |                     |                                |                                    |                                  |
| Pupil                                   | 1,271,648           | 0                              | 178,909                            | 0                                |
| Instructional Staff                     | 1,560,236           | 0                              | 419,790                            | 0                                |
| General Administration                  | 240,655             | 0                              | 0                                  | 0                                |
| School Administration                   | 1,626,748           | 0                              | 0                                  | 0                                |
| Fiscal                                  | 709,215             | 0                              | 46,695                             | 0                                |
| Business                                | 400,786             | 0                              | 0                                  | 0                                |
| Operations and Maintenance              | 1,625,234           | 9,150                          | 0                                  | 0                                |
| Pupil Transportation                    | 1,332,405           | 0                              | 45,749                             | 27,072                           |
| Central                                 | 243,393             | 0                              | 42,906                             | 0                                |
| Operation of Non-Instructional Services | 1,337,596           | 586,385                        | 780,001                            | 0                                |
| Extracurricular Activities              | 585,091             | 111,058                        | 0                                  | 0                                |
| Interest and Fiscal Charges             | 422,605             | 0                              | 0                                  | 0                                |
| <b>Total Governmental Activities</b>    | <b>\$28,506,465</b> | <b>\$1,386,639</b>             | <b>\$4,160,381</b>                 | <b>\$27,072</b>                  |

General Revenues:  
Income Taxes  
Property Taxes Levied for:  
    General Purposes  
    Special Revenue Purposes  
    Debt Service Purposes  
    Capital Projects Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Payment in Lieu of Taxes  
Unrestricted Contributions  
Investment Earnings  
Other Revenues

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the Basic Financial Statements.

Net (Expense) Revenue  
and Changes in Net Assets  
Governmental  
Activities

(\$12,407,641)  
(811,139)  
(244,555)  
(361,141)

(1,092,739)  
(1,140,446)  
(240,655)  
(1,626,748)  
(662,520)  
(400,786)  
(1,616,084)  
(1,259,584)  
(200,487)  
28,790  
(474,033)  
(422,605)

(22,932,373)

3,956,013

8,213,324  
176,916  
1,081,209  
83,170  
10,144,074  
541,223  
88,333  
159,867  
32,666

24,476,795

1,544,422

17,738,612

\$19,283,034

Wilmington City School District  
Balance Sheet  
Governmental Funds  
June 30, 2009

|   | General             | Debt<br>Service    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>                                |                     |                    |                                |                                |
| Equity in Pooled Cash and Investments         | \$4,889,685         | \$2,046,243        | \$1,397,695                    | \$8,333,623                    |
| Restricted Cash and Investments               | 57,982              | 0                  | 0                              | 57,982                         |
| <b>Receivables:</b>                           |                     |                    |                                |                                |
| Taxes   | 17,370,490          | 1,505,807          | 372,542                        | 19,248,839                     |
| Accounts                                      | 47,605              | 0                  | 934                            | 48,539                         |
| Interest                                      | 2,844               | 0                  | 856                            | 3,700                          |
| Intergovernmental                             | 0                   | 0                  | 1,332,439                      | 1,332,439                      |
| Notes   | 442,918             | 0                  | 72,000                         | 514,918                        |
| Interfund                                     | 181,434             | 0                  | 0                              | 181,434                        |
| Inventory                                     | 0                   | 0                  | 5,481                          | 5,481                          |
| <b>Total Assets</b>                           | <b>22,992,958</b>   | <b>3,552,050</b>   | <b>3,181,947</b>               | <b>29,726,955</b>              |
| <b>Liabilities and Fund Balances:</b>         |                     |                    |                                |                                |
| <b>Liabilities:</b>                           |                     |                    |                                |                                |
| Accounts Payable                              | 81,904              | 0                  | 6,747                          | 88,651                         |
| Accrued Wages and Benefits                    | 2,472,806           | 0                  | 283,340                        | 2,756,146                      |
| Compensated Absences                          | 63,497              | 0                  | 6,034                          | 69,531                         |
| Interfund Payable                             | 0                   | 0                  | 181,434                        | 181,434                        |
| Deferred Revenue                              | 15,409,874          | 1,418,256          | 1,541,806                      | 18,369,936                     |
| <b>Total Liabilities</b>                      | <b>18,028,081</b>   | <b>1,418,256</b>   | <b>2,019,361</b>               | <b>21,465,698</b>              |
| <b>Fund Balances:</b>                         |                     |                    |                                |                                |
| Reserved for Encumbrances                     | 327,251             | 0                  | 8,991                          | 336,242                        |
| Reserved for Inventory                        | 0                   | 0                  | 5,481                          | 5,481                          |
| Reserved for Property Tax Advances            | 679,845             | 87,551             | 20,856                         | 788,252                        |
| Reserved for Set-Aside                        | 57,982              | 0                  | 0                              | 57,982                         |
| Reserved for Notes Receivable                 | 442,918             | 0                  | 72,000                         | 514,918                        |
| <b>Unreserved, Undesignated, Reported in:</b> |                     |                    |                                |                                |
| General Fund                                  | 3,456,881           | 0                  | 0                              | 3,456,881                      |
| Special Revenue Funds                         | 0                   | 0                  | 957,651                        | 957,651                        |
| Debt Service Funds                            | 0                   | 2,046,243          | 0                              | 2,046,243                      |
| Capital Projects Funds                        | 0                   | 0                  | 97,607                         | 97,607                         |
| <b>Total Fund Balances</b>                    | <b>4,964,877</b>    | <b>2,133,794</b>   | <b>1,162,586</b>               | <b>8,261,257</b>               |
| <b>Total Liabilities and Fund Balances</b>    | <b>\$22,992,958</b> | <b>\$3,552,050</b> | <b>\$3,181,947</b>             | <b>\$29,726,955</b>            |

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, 2009

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|   |                  |                            |
|---|------------------|----------------------------|
| Total Governmental Fund Balance   |                  | \$8,261,257                |
| 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.   |                  | 18,589,746                 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.  |                  |                            |
| Delinquent Property Taxes   | 1,655,685        |                            |
| Intergovernmental   | <u>1,190,120</u> |                            |
|   |                  | 2,845,805                  |
| 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. |                  | (29,598)                   |
| 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  |                  | (920,901)                  |
| Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.  |                  | 55,431                     |
| Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.   |                  | <u>(9,518,706)</u>         |
| Net Assets of Governmental Activities   |                  | <u><u>\$19,283,034</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, 2009

|   | General            | Debt<br>Service    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                                    |                    |                    |                                |                                |
| Taxes   | \$12,386,696       | \$1,100,780        | \$266,145                      | \$13,753,621                   |
| Revenue in lieu of taxes                            | 478,529            | 49,395             | 13,299                         | 541,223                        |
| Tuition and Fees                                    | 676,321            | 0                  | 0                              | 676,321                        |
| Investment Earnings                                 | 143,053            | 0                  | 16,814                         | 159,867                        |
| Intergovernmental                                   | 10,668,564         | 257,320            | 2,287,223                      | 13,213,107                     |
| Extracurricular Activities                          | 0                  | 0                  | 114,548                        | 114,548                        |
| Charges for Services                                | 0                  | 0                  | 586,385                        | 586,385                        |
| Other Revenues                                      | 29,286             | 0                  | 101,097                        | 130,383                        |
| <b>Total Revenues</b>                               | <b>24,382,449</b>  | <b>1,407,495</b>   | <b>3,385,511</b>               | <b>29,175,455</b>              |
| <b>Expenditures:</b>                                |                    |                    |                                |                                |
| <b>Current:</b>                                     |                    |                    |                                |                                |
| <b>Instruction:</b>                                 |                    |                    |                                |                                |
| Regular   | 12,271,686         | 0                  | 262,938                        | 12,534,624                     |
| Special   | 2,313,744          | 0                  | 801,200                        | 3,114,944                      |
| Vocational  | 276,571            | 0                  | 0                              | 276,571                        |
| Other   | 456,743            | 0                  | 5,405                          | 462,148                        |
| <b>Support Services:</b>                            |                    |                    |                                |                                |
| Pupil   | 1,164,381          | 0                  | 104,520                        | 1,268,901                      |
| Instructional Staff                                 | 1,345,498          | 0                  | 198,938                        | 1,544,436                      |
| General Administration                              | 235,432            | 0                  | 0                              | 235,432                        |
| School Administration                               | 1,541,210          | 0                  | 0                              | 1,541,210                      |
| Fiscal  | 671,634            | 38,808             | 9,557                          | 719,999                        |
| Business  | 409,298            | 0                  | 0                              | 409,298                        |
| Operations and Maintenance                          | 2,131,334          | 0                  | 0                              | 2,131,334                      |
| Pupil Transportation                                | 1,218,933          | 0                  | 521                            | 1,219,454                      |
| Central   | 211,034            | 0                  | 15,000                         | 226,034                        |
| Operation of Non-Instructional Services             | 0                  | 0                  | 1,325,691                      | 1,325,691                      |
| Extracurricular Activities                          | 460,668            | 0                  | 126,758                        | 587,426                        |
| Capital Outlay                                      | 0                  | 0                  | 1,261,689                      | 1,261,689                      |
| <b>Debt Service:</b>                                |                    |                    |                                |                                |
| Principal Retirement                                | 70,000             | 1,155,000          | 67,000                         | 1,292,000                      |
| Interest and Fiscal Charges                         | 25,813             | 326,048            | 58,092                         | 409,953                        |
| <b>Total Expenditures</b>                           | <b>24,803,979</b>  | <b>1,519,856</b>   | <b>4,237,309</b>               | <b>30,561,144</b>              |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>(421,530)</b>   | <b>(112,361)</b>   | <b>(851,798)</b>               | <b>(1,385,689)</b>             |
| <b>Other Financing Sources (Uses):</b>              |                    |                    |                                |                                |
| Transfers In  | 152,578            | 0                  | 0                              | 152,578                        |
| <b>Total Other Financing Sources (Uses)</b>         | <b>152,578</b>     | <b>0</b>           | <b>0</b>                       | <b>152,578</b>                 |
| <b>Net Change in Fund Balance</b>                   | <b>(268,952)</b>   | <b>(112,361)</b>   | <b>(851,798)</b>               | <b>(1,233,111)</b>             |
| <b>Fund Balance Beginning of Year, Restated</b>     | <b>5,233,829</b>   | <b>2,246,155</b>   | <b>2,014,384</b>               | <b>9,494,368</b>               |
| <b>Fund Balance End of Year</b>                     | <b>\$4,964,877</b> | <b>\$2,133,794</b> | <b>\$1,162,586</b>             | <b>\$8,261,257</b>             |

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, 2009

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Net Change in Fund Balance - Total Governmental Funds (\$1,233,111)

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 | 1,870,817          |         |
| Depreciation Expense                           | <u>(1,197,661)</u> | 673,156 |

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

|                           |                  |         |
|---------------------------|------------------|---------|
| Delinquent Property Taxes | (242,989)        |         |
| Intergovernmental         | <u>1,118,421</u> | 875,432 |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,292,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 4,256

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               | 136,698         |         |
| Amortization of Bond Issuance Cost | (4,619)         |         |
| Amortization of Bond Premium       | 15,393          |         |
| Bond Accretion                     | <u>(27,682)</u> | 119,790 |

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. (187,101)

Change in Net Assets of Governmental Activities \$1,544,422

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
Statement of Net Assets  
Proprietary Fund  
June 30, 2009

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|                                       | <u>Governmental<br/>Activities-<br/>Internal Service<br/>Fund</u> |
|---------------------------------------|---|
| Assets:                               |   |
| Equity in Pooled Cash and Investments | <u>\$0</u>  |
| Total Assets                          | <u>0</u>  |
| Liabilities:                          |   |
| Current Liabilities:                  |   |
| Accounts Payable                      | <u>0</u>  |
| Total Liabilities                     | <u>0</u>  |
| Total Net Assets                      | <u><u>\$0</u></u>   |

See accompanying notes to the Basic Financial Statements.



Wilmington City School District  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2009

|  | Governmental<br>Activities-<br>Internal Service<br>Fund |
|--|---|
| Operating Revenues:                            |   |
| Charges for Services                           | \$66,722  |
| Total Operating Revenues                       | 66,722  |
| Operating Expenses:                            |   |
| Claims Expense                                 | 101,245   |
| Total Operating Expenses                       | 101,245   |
| Income (Loss) Before Contributions & Transfers | (34,523)  |
| Transfers (Out)                                | (152,578)   |
| Change in Net Assets                           | (187,101)   |
| Net Assets Beginning of Year                   | 187,101   |
| Net Assets End of Year                         | \$0   |

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2009

|  | <u>Governmental<br/>Activities-<br/>Internal Service<br/>Fund</u> |
|--|---|
| Cash Flows from Operating Activities:  |   |
| Cash Received from Customers   | \$66,776  |
| Cash Payments for Claims   | <u>(155,850)</u>  |
| Net Cash Provided (Used) by Operating Activities   | <u>(89,074)</u>   |
| Cash Flows from Noncapital Financing Activities:   |   |
| Payments to Other Funds  | <u>(152,578)</u>  |
| Net Cash Provided (Used) by Noncapital Financing Activities                                      | <u>(152,578)</u>  |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (241,652)   |
| Cash and Cash Equivalents Beginning of Year  | <u>241,652</u>  |
| Cash and Cash Equivalents End of Year  | <u><u>0</u></u>   |
| Reconciliation of Operating Income (Loss) to<br>Net Cash Provided (Used) by Operating Activities |   |
| Operating Income (Loss)  | (34,523)  |
| Changes in Assets & Liabilities:   |   |
| (Increase) Decrease in Receivables   | 54  |
| Increase (Decrease) in Payables  | <u>(54,605)</u>   |
| Net Cash Provided (Used) by Operating Activities   | <u><u>(\$89,074)</u></u>  |

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2009

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|                                       | <u>Agency</u>          |
|---------------------------------------|------------------------|
| Assets:                               |                        |
| Equity in Pooled Cash and Investments | \$65,589               |
| Receivables:                          |                        |
| Accounts                              | <u>2,730</u>           |
| Total Assets                          | <u><u>68,319</u></u>   |
| Liabilities:                          |                        |
| Other Liabilities                     | <u>68,319</u>          |
| Total Liabilities                     | <u><u>\$68,319</u></u> |

See accompanying notes to the Basic Financial Statements.

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**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2009**

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**NOTE 1 – DESCRIPTION OF THE DISTRICT**

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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 119 non-certificated and 199 certificated teaching personnel and 16 administrative employees to provide service to 3,253 students and other community members.

**REPORTING ENTITY**

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

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

## **MEASUREMENT FOCUS**

### **Government-wide Financial Statements**

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

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

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

### **Fund Financial Statements**

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

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

## **FUND ACCOUNTING**

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

## **Governmental Funds**

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

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

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

## **Proprietary Funds**

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

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

## **Fiduciary Funds**

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

## **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, 2009, but which were levied to finance fiscal year 2010 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 2009 amounted to \$143,053 and \$16,814 in the other governmental funds.

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

## **INVENTORY**

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

## **CAPITAL ASSETS**

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

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

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

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

## **COMPENSATED ABSENCES**

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

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

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

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

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

## **NET ASSETS**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$4,667,039 in restricted net assets, none were restricted by enabling legislation.

## **INTERFUND ACTIVITY**

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

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

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

## **FUND EQUITY**

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

## **RESTRICTED ASSETS**

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

## **ACCRUED LIABILITIES AND LONG TERM OBLIGATIONS**

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

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

## **ESTIMATES**

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

### **NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS**

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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, 2009, \$1,597,350 of the District's bank balance of \$2,225,687 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, 2009, the District had the following investments:

|                                     | <u>Fair Value</u>  | <u>Weighted Average<br/>Maturity (Years)</u> |
|-------------------------------------|--------------------|--|
| Money Market Fund                   | \$438,285          | 0.00   |
| Repurchase Agreement                | 5,784,079          | 0.00   |
| Federal Farm Credit Bank            | 49,850             | 3.25   |
| Total Fair Value                    | <u>\$6,272,214</u> |  |
| Portfolio Weighted Average Maturity |                    | 0.33   |

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 and Federal Farm Credit Bank were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Repurchase agreements which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 7% of the District’s investments in Money Market Funds, 1% in Federal Farm Credit Bank, and 92% in Repurchase Agreements.

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

## **NOTE 4 – PROPERTY TAXES**

Real property taxes collected in 2009 were levied in April on the assessed values as of January 1, 2008, 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). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

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

Real property taxes are payable annually or semi-annually. In 2009, if paid annually, payment was due by January 20<sup>th</sup>. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20<sup>th</sup> with the remainder due on June 20<sup>th</sup>.

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, 2009. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2009. 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, 2009, was \$679,845 for General Fund, \$87,551 for Debt Service Fund, \$20,856 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 2009 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 2009 taxes were collected are:

|   | <u>Amount</u>               |
|---|-----------------------------|
| Agricultural/Residential<br>and Other Real Estate | \$454,246,470               |
| Public Utility Personal                           | <u>15,942,640</u>           |
| Total   | <u><u>\$470,189,110</u></u> |



## **NOTE 5 – RECEIVABLES**

Receivables at June 30, 2009, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants, notes and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

## **NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| <b>Governmental Activities</b>                |                              |                    |                  |                           |
| <i>Capital Assets, not being depreciated:</i> |                              |                    |                  |                           |
| Land  | \$624,927                    | \$0                | \$0              | \$624,927                 |
| <i>Capital Assets, being depreciated:</i>     |                              |                    |                  |                           |
| Buildings and Improvements                    | 27,320,246                   | 1,739,035          | 0                | 29,059,281                |
| Equipment                                     | <u>6,050,476</u>             | <u>131,782</u>     | <u>0</u>         | <u>6,182,258</u>          |
| Totals at Historical Cost                     | <u>\$33,995,649</u>          | <u>\$1,870,817</u> | <u>\$0</u>       | <u>\$35,866,466</u>       |
| Less Accumulated Depreciation:                |                              |                    |                  |                           |
| Buildings and Improvements                    | \$11,455,494                 | \$944,399          | \$0              | \$12,399,893              |
| Equipment                                     | <u>4,623,565</u>             | <u>253,262</u>     | <u>0</u>         | <u>4,876,827</u>          |
| Total Accumulated Depreciation                | <u>16,079,059</u>            | <u>1,197,661</u>   | <u>0</u>         | <u>17,276,720</u>         |
| Governmental Activities Capital Assets, Net   | <u>\$17,916,590</u>          | <u>\$673,156</u>   | <u>\$0</u>       | <u>\$18,589,746</u>       |

Depreciation expense was charged to governmental functions as follows:

|   |                    |
|---|--------------------|
| Instruction:                            |                    |
| Regular                                 | \$690,936          |
| Special                                 | 70,503             |
| Vocational                              | 9,444              |
| Support Services:                       |                    |
| Instructional Staff                     | 19,123             |
| General Administration                  | 5,223              |
| School Administration                   | 104,458            |
| Business                                | 376                |
| Operations and Maintenance              | 121,536            |
| Pupil Transportation                    | 132,850            |
| Central                                 | 28,332             |
| Operation of Non-Instructional Services | 14,103             |
| Extracurricular Activities              | 777                |
| Total Depreciation Expense              | <u>\$1,197,661</u> |

## **NOTE 7 – LONG-TERM LIABILITIES**

|   | <u>Interest<br/>Rate</u> | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deductions</u>  | <u>Ending<br/>Balance</u> | <u>Due In<br/>One Year</u> |
|---|--------------------------|------------------------------|------------------|--------------------|---------------------------|----------------------------|
| <b>Governmental Activities:</b>                   |                          |                              |                  |                    |                           |                            |
| General Obligation Bonds and Notes:               |                          |                              |                  |                    |                           |                            |
| Wilmington H.S. Addition Renovation               | 4.98%                    | \$2,650,000                  | \$0              | \$325,000          | \$2,325,000               | \$340,000                  |
| 2001 Refunding Bonds                              | 3.80%                    | 2,865,000                    | 0                | 805,000            | 2,060,000                 | 795,000                    |
| 2006 Refunding Bonds:                             |                          |                              |                  |                    |                           |                            |
| Current Interest Bonds -                          |                          |                              |                  |                    |                           |                            |
| School Improvement                                | 3.50%                    | 2,955,000                    | 0                | 25,000             | 2,930,000                 | 25,000                     |
| Capital Appreciation Bonds                        |                          | 110,000                      | 0                | 0                  | 110,000                   | 0                          |
| Capital Appreciation Bonds - Compounding Interest | 3.50%                    | 43,310                       | 27,682           | 0                  | 70,992                    | 0                          |
| Premium on 2006 Refunding Bonds                   |                          | 200,107                      | 0                | 15,393             | 184,714                   | 0                          |
| Total General Obligation Bonds                    |                          | 8,823,417                    | 27,682           | 1,170,393          | 7,680,706                 | 1,160,000                  |
| Capital Leases                                    |                          | 1,975,000                    | 0                | 137,000            | 1,838,000                 | 142,000                    |
| Total Long Term Debt                              |                          | 10,798,417                   | 27,682           | 1,307,393          | 9,518,706                 | 1,302,000                  |
| Compensated Absences                              |                          | 1,093,803                    | 111,320          | 214,691            | 990,432                   | 185,662                    |
| Total Governmental Activities                     |                          | <u>\$11,892,220</u>          | <u>\$139,002</u> | <u>\$1,522,084</u> | <u>\$10,509,138</u>       | <u>\$1,487,662</u>         |

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

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

| Fiscal Year<br>Ending June 30 | General Obligation Bonds |                    |                     | Capital Appreciation Bonds |                  |                  |
|-------------------------------|--------------------------|--------------------|---------------------|----------------------------|------------------|------------------|
|                               | Principal                | Interest           | Total               | Principal                  | Interest         | Total            |
| 2010                          | \$1,160,000              | \$278,126          | \$1,438,126         | \$0                        | \$0              | \$0              |
| 2011                          | 1,170,000                | 228,320            | 1,398,320           | 0                          | 0                | 0                |
| 2012                          | 656,738                  | 739,879            | 1,396,617           | 0                          | 0                | 0                |
| 2013                          | 640,234                  | 713,910            | 1,354,144           | 0                          | 0                | 0                |
| 2014                          | 518,028                  | 302,253            | 820,281             | 0                          | 0                | 0                |
| 2015-2019                     | 2,035,000                | 457,580            | 2,492,580           | 110,000                    | 380,000          | 490,000          |
| 2020-2021                     | 1,135,000                | 45,900             | 1,180,900           | 0                          | 0                | 0                |
| Total                         | <u>\$7,315,000</u>       | <u>\$2,765,968</u> | <u>\$10,080,968</u> | <u>\$110,000</u>           | <u>\$380,000</u> | <u>\$490,000</u> |

## **NOTE 8 – PRIOR YEAR DEFEASANCE OF DEBT**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2009, \$3,165,000 of bonds outstanding are considered defeased.

## **NOTE 9 – CAPITAL LEASES – LESSEE DISCLOSURE**

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

The District began making principal payments in fiscal year 2007. The principal amount owed on the lease at year end is \$549,000.

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

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

The District will begin making principal payments in fiscal year 2009. The principal amount owed on the lease at year end is \$1,289,000.

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

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

| <u>Fiscal Year Ending June 30,</u>      | <u>Long-Term<br/>Debt</u> |
|---|---------------------------|
| 2010                                    | \$221,180                 |
| 2011                                    | 220,012                   |
| 2012                                    | 218,632                   |
| 2013                                    | 217,036                   |
| 2014                                    | 216,222                   |
| 2015-2019                               | 798,764                   |
| 2020-2024                               | 493,310                   |
| Total Minimum Lease Payments            | 2,385,156                 |
| Less: Amount Representing Interest      | (528,012)                 |
| Less: Additional Program Cost Component | (19,144)                  |
| Present Value of Minimum Lease Payments | <u>\$1,838,000</u>        |

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

|                            |           |
|----------------------------|-----------|
| Equipment                  | \$549,000 |
| Buildings and Improvements | 1,289,000 |

## **NOTE 10 – PENSION PLANS**

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### **SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

#### Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

### Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$544,548, \$507,708, and \$480,036, respectively; 50% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

## **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

### Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

### Plan Options

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

### DB Plan Benefits

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

### DC Plan Benefits

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

### Combined Plan Benefits

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

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

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

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

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

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

#### Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2009, 2008, and 2007 were \$1,676,400, \$1,780,860, and \$1,740,192, respectively; 84% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

### **NOTE 11 - POST EMPLOYMENT BENEFITS**

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#### **SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

##### Plan Description

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

### Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2009, 2008 and 2007 were \$29,172, \$24,660 and \$23,316, respectively, which equaled the required contributions each year.

### Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; not may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$161,809, \$120,399, and \$117,266, respectively.

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



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

## **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

### Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

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

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

### Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$119,743, \$127,204 and \$124,299, respectively.

## **NOTE 12 – CONTINGENT LIABILITIES**

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### **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, 2009.

## LITIGATION

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

## **NOTE 13 – JOINTLY GOVERNED ORGANIZATION**

### **Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust -**

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

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

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

**NOTE 14 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine and property insurance from private carriers. General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 bodily injury and \$300,000 property damage per accident as well as uninsured motorist coverage. In addition, the District maintains property damage insurance on the buildings and contents in the amount of \$53,172,000.

As of June 30, 2009, the District is no longer self-insured concerning dental insurance. Dental insurance, in prior years, was offered to employees through a self-insurance internal service fund.

**NOTE 15 – ACCOUNTABILITY**

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

| <u>Other Governmental Funds:</u> | <u>Deficit</u> |
|----------------------------------|----------------|
| Public School                    | \$54,831       |
| Poverty Impact Aid               | 2,370          |
| Vocational Education             | 2              |
| IDEA PreSchool Grant             | 761            |
| Improving Teacher Quality        | 773            |

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

**NOTE 16 – FUND BALANCE RESERVES FOR SET-ASIDES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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, 2009, 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<br/>Acquisition</u> | <u>Budget<br/>Stabilization</u> |
|---|----------------------|--------------------------------|---------------------------------|
| Set Aside Reserve Balance as of June 30, 2008 | (\$1,754,443)        | \$0                            | \$57,982                        |
| Current Year Set Aside Requirement            | 531,886              | 531,886                        | 0                               |
| Qualified Disbursements                       | (645,222)            | (738,568)                      | 0                               |
| Set Aside Reserve Balance as of June 30, 2009 | <u>(\$1,867,779)</u> | <u>(\$206,682)</u>             | <u>\$57,982</u>                 |
| Restricted Cash as of June 30, 2009           | \$57,982             |                                |                                 |

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

Expenditures for capital activity during the year totaled \$738,568. 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 \$645,222. The District may carry forward \$1,867,779 to offset textbook requirements in future years.

#### **NOTE 17 – INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2009, consisted of the following interfund receivables, interfund payables, transfers in and out:

|                          | Interfund         |                  | Transfers        |                  |
|--------------------------|-------------------|------------------|------------------|------------------|
|                          | <u>Receivable</u> | <u>Payable</u>   | <u>In</u>        | <u>Out</u>       |
| General Fund             | \$181,434         | \$0              | \$152,578        | \$0              |
| Other Governmental Funds | 0                 | 181,434          | 0                | 0                |
| Internal Service Fund    | 0                 | 0                | 0                | 152,578          |
| Total All Funds          | <u>\$181,434</u>  | <u>\$181,434</u> | <u>\$152,578</u> | <u>\$152,578</u> |

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

The internal service fund transferred its remaining net assets to the general fund, since the District is no longer self-insured through an internal service fund.

**NOTE 18 – ACCOUNTING CHANGE**

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The Other Governmental Funds reclassified \$207,501 of notes receivable to the General Fund. The adjustment reflects the reclassification of the notes receivable from Other Governmental Funds to the General Fund.

|   | General Fund       | Other<br>Governmental<br>Funds |
|---|--------------------|--------------------------------|
| Fund Balance, June, 2008                                | \$5,026,328        | \$2,221,885                    |
| Restatement Due to Reclassification in Notes Receivable | 207,501            | (207,501)                      |
| Restated Fund Balance, June 30, 2008                    | <u>\$5,233,829</u> | <u>\$2,014,384</u>             |

# **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, 2009

|  | General Fund       |                    |                    |                            |
|--|--------------------|--------------------|--------------------|----------------------------|
|  | Original Budget    | Final Budget       | Actual             | Variance from Final Budget |
| Revenues:  |                    |                    |                    |                            |
| Taxes  | \$12,600,454       | \$12,853,099       | \$12,787,585       | (\$65,514)                 |
| Revenue in lieu of taxes   | 471,526            | 492,742            | 478,529            | (14,213)                   |
| Tuition and Fees   | 705,423            | 773,828            | 715,899            | (57,929)                   |
| Investment Earnings  | 152,538            | 233,445            | 154,803            | (78,642)                   |
| Intergovernmental  | 10,512,442         | 10,589,403         | 10,668,564         | 79,161                     |
| Other Revenues   | 92,911             | 73,583             | 94,291             | 20,708                     |
| Total Revenues   | <u>24,535,294</u>  | <u>25,016,100</u>  | <u>24,899,671</u>  | <u>(116,429)</u>           |
| Expenditures:  |                    |                    |                    |                            |
| Current:   |                    |                    |                    |                            |
| Instruction:   |                    |                    |                    |                            |
| Regular  | 12,716,035         | 12,342,587         | 12,209,309         | 133,278                    |
| Special  | 2,452,286          | 2,452,751          | 2,354,564          | 98,187                     |
| Vocational   | 289,029            | 293,032            | 277,511            | 15,521                     |
| Other  | 492,112            | 640,902            | 472,502            | 168,400                    |
| Support Services:  |                    |                    |                    |                            |
| Pupil  | 1,261,394          | 1,141,772          | 1,211,128          | (69,356)                   |
| Instructional Staff  | 1,475,598          | 1,651,410          | 1,416,796          | 234,614                    |
| General Administration   | 232,952            | 170,820            | 223,669            | (52,849)                   |
| School Administration  | 1,636,755          | 1,722,376          | 1,571,531          | 150,845                    |
| Fiscal   | 733,749            | 726,236            | 704,510            | 21,726                     |
| Business   | 452,020            | 492,778            | 434,007            | 58,771                     |
| Operations and Maintenance   | 2,281,688          | 2,438,879          | 2,190,764          | 248,115                    |
| Pupil Transportation   | 1,285,525          | 1,313,602          | 1,234,298          | 79,304                     |
| Central  | 221,282            | 265,540            | 212,464            | 53,076                     |
| Extracurricular Activities   | 480,257            | 507,648            | 461,119            | 46,529                     |
| Capital Outlay   | 0                  | 15,170             | 0                  | 15,170                     |
| Debt Service:  |                    |                    |                    |                            |
| Principal Retirement   | 70,000             | 70,000             | 70,000             | 0                          |
| Interest and Fiscal Charges  | 29,790             | 25,813             | 25,813             | 0                          |
| Total Expenditures   | <u>26,110,472</u>  | <u>26,271,316</u>  | <u>25,069,985</u>  | <u>1,201,331</u>           |
| Excess of Revenues Over (Under) Expenditures                                   | <u>(1,575,178)</u> | <u>(1,255,216)</u> | <u>(170,314)</u>   | <u>1,084,902</u>           |
| Other Financing Sources (Uses):  |                    |                    |                    |                            |
| Advances In  | 0                  | 35,000             | 0                  | (35,000)                   |
| Advances (Out)   | 0                  | (35,000)           | 0                  | 35,000                     |
| Transfers In   | 227,204            | 78,000             | 230,578            | 152,578                    |
| Transfers (Out)  | (81,237)           | (78,000)           | (78,000)           | 0                          |
| Total Other Financing Sources (Uses)   | <u>145,967</u>     | <u>0</u>           | <u>152,578</u>     | <u>152,578</u>             |
| Net Change in Fund Balance   | (1,429,211)        | (1,255,216)        | (17,736)           | 1,237,480                  |
| Fund Balance Beginning of Year (includes prior year encumbrances appropriated) | <u>4,614,723</u>   | <u>4,614,723</u>   | <u>4,614,723</u>   | <u>0</u>                   |
| Fund Balance End of Year   | <u>\$3,185,512</u> | <u>\$3,359,507</u> | <u>\$4,596,987</u> | <u>\$1,237,480</u>         |

See accompanying notes to the required supplementary information.

**Wilmington City School District**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2009**

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**NOTE 1 – BUDGETARY PROCESS**

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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 2009.

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                              | (\$268,952)              |
| Net Adjustment for Revenue Accruals     | 517,222                  |
| Net Adjustment for Expenditure Accruals | 73,166                   |
| Transfers In                            | 78,000                   |
| Transfers (Out)                         | (78,000)                 |
| Encumbrances                            | <u>(339,172)</u>         |
| Budget Basis                            | <u><u>(\$17,736)</u></u> |

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title                           | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts            | Non-Cash<br>Receipts | Disbursements       | Non-Cash<br>Disbursements |
|---|----------------------------------|---------------------------|---------------------|----------------------|---------------------|---------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>  |                                  |                           |                     |                      |                     |                           |
| <i>Passed through Ohio Department of Education.</i>                                 |                                  |                           |                     |                      |                     |                           |
| Nutrition Cluster:  |                                  |                           |                     |                      |                     |                           |
| National School Breakfast Program   |                                  | 10.553                    | \$110,825           | ----                 | \$110,825           | ----                      |
| National School Lunch   |                                  | 10.555                    | 497,663             | \$115,995            | 497,663             | \$115,995                 |
| <b>Total U.S. Department of Agriculture</b>   |                                  |                           | <b>608,488</b>      | <b>115,995</b>       | <b>608,488</b>      | <b>115,995</b>            |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>  |                                  |                           |                     |                      |                     |                           |
| <i>Passed through Ohio Department of Education.</i>                                 |                                  |                           |                     |                      |                     |                           |
| Education Consolidation and Improvement Act   |                                  |                           |                     |                      |                     |                           |
| Title I - FY 08   | C1-S1-08                         | 84.010                    | 68,767              | ----                 | 58,085              | ----                      |
| Title I - FY 09   | C1-S1-09                         |                           | 445,142             | ----                 | 398,126             | ----                      |
| <i>Total Title I</i>  |                                  |                           | 513,909             | -                    | 456,211             | -                         |
| Special Education Cluster:  |                                  |                           |                     |                      |                     |                           |
| Special Education Grants to States  |                                  |                           |                     |                      |                     |                           |
| IDEA Part B - FY08  | 6BSF-2008                        | 84.027                    | 139,417             | ----                 | 134,075             | ----                      |
| IDEA Part B - FY09  | 6BSF-2009                        |                           | 462,374             | ----                 | 427,447             | ----                      |
| Educational Handicapped Preschool   |                                  |                           |                     |                      |                     |                           |
| Preschool Subsidy - FY 08   | PG-S1-2008                       | 84.173                    | -                   | ----                 | 1,906               | ----                      |
| Preschool Subsidy - FY 09   | PG-S1-2009                       |                           | 10,853              | ----                 | 9,359               | ----                      |
| <i>Total Special Education Cluster</i>  |                                  |                           | 612,644             | -                    | 572,787             | -                         |
| Drug Free Schools   |                                  |                           |                     |                      |                     |                           |
| Drug Free Education - Subsidy - FY 08   | DR-S1-08                         | 84.186                    | -                   | ----                 | 8,711               | ----                      |
| Drug Free Education - Subsidy - FY 09   | DR-S1-07                         |                           | 7,365               | ----                 | 6,618               | ----                      |
| <i>Total Drug Free School Grants</i>  |                                  |                           | 7,365               | -                    | 15,329              | -                         |
| Innovative Educational Program Strategies   |                                  |                           |                     |                      |                     |                           |
| Innovative Ed - FY 08   | C2-S1-08                         | 84.298                    | 2,388               | ----                 | 2,388               | ----                      |
| <i>Total Innovative Ed</i>  |                                  |                           | 2,388               | -                    | 2,388               | -                         |
| Additional Programs:  |                                  |                           |                     |                      |                     |                           |
| Educational Technology - FY 08  | TJ-S1-08                         | 84.318                    | -                   | ----                 | 1,066               | ----                      |
| Educational Technology - FY 09  | TJ-S1-09                         |                           | 454                 | ----                 | -                   | ----                      |
| English Language Acquisition Grant - FY 08  |                                  |                           |                     |                      |                     |                           |
| English Language Acquisition Grant - FY 09  |                                  | 84.365                    | -                   | ----                 | 1,127               | ----                      |
|   |                                  |                           | 5,282               | ----                 | 5,815               | ----                      |
| Improving Teacher Quality - FY 08   |                                  |                           |                     |                      |                     |                           |
| Improving Teacher Quality - FY 09   | TR-S1-08                         | 84.367                    | 23,889              | ----                 | 19,999              | ----                      |
|   | TR-S1-09                         |                           | 130,873             | ----                 | 122,053             | ----                      |
| School Improvement Grant - FY09   |                                  | 84.377                    | 70,000              | ----                 | 56,045              | ----                      |
| <i>Total Additional Programs</i>  |                                  |                           | 230,498             | -                    | 206,105             | -                         |
| <i>Passed through Great Oaks Institute of Technology<br/>and Career Development</i> |                                  |                           |                     |                      |                     |                           |
| Vocational Education Basic Grants to States   |                                  |                           |                     |                      |                     |                           |
| Career Education - FY08   | N/A                              | 84.048                    | -                   | ----                 | 7,483               | ----                      |
| Career Education - FY09   |                                  |                           | 5,766               | ----                 | 7,688               | ----                      |
| <i>Total Vocational Education</i>   |                                  |                           | 5,766               | -                    | 15,171              | -                         |
| <b>Total Department of Education</b>  |                                  |                           | <b>1,372,570</b>    | <b>-</b>             | <b>1,267,991</b>    | <b>-</b>                  |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>   |                                  |                           | <b>\$ 1,981,058</b> | <b>\$ 115,995</b>    | <b>\$ 1,876,479</b> | <b>\$ 115,995</b>         |

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

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The government reports commodities consumed on the Schedule at the fair value.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2009 to 2010 programs:

| <u>Program Title</u>                         | <u>CFDA Number</u> | <u>Amount Transferred<br/>from 2009 to 2010</u> |
|--|--------------------|---|
| Title I Grants to Local Educational Agencies | 84.010             | \$13,618  |
| Special Education - Grants to States         | 84.027             | 18,910  |
| School Improvement                           | 84.377             | 10,937  |
| Safe and Drug-Free Schools and Communities   | 84.186             | 748   |



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

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

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

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

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

We noted certain internal control matters that we reported to the District's management in a separate letter dated February 16, 2010.

#### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated February 16, 2010.

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

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

**Mary Taylor, CPA**  
Auditor of State

February 16, 2010



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Wilmington City School District, Clinton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. 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 programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

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

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

February 16, 2010



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





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  
MARCH 4, 2010