

Dave Yost · Auditor of State



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

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# Dave Yost • 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio, as of June 30, 2012, and the respective changes in financial position 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 March 4, 2013, 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.

Wilmington City School District  
Clinton County  
Independent Accountants' Report  
Page 2

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 4, 2013

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
**(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, 2012. 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 2012 are as follows:

- Net assets of governmental activities decreased \$421,072 which represents a 2% decrease from 2011.
- General revenues accounted for \$24,206,965 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,358,937 or 18% of total revenues of \$29,565,902 .
- The District had \$29,986,974 in expenses related to governmental activities; \$5,358,937 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$24,206,965 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.

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
**(Unaudited)**

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**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 2012." 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.

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
(Unaudited)

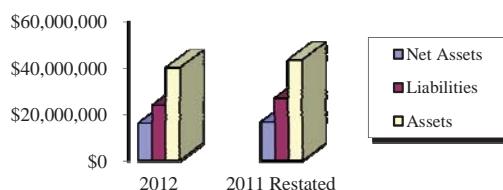
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**The District as a Whole**

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 2012 compared to 2011:

Table 1  
 Net Assets

	Governmental Activities	
	2012	2011 Restated
<b>Assets:</b>		
Current and Other Assets	\$23,893,635	\$26,515,054
Capital Assets	<u>16,318,536</u>	<u>17,119,639</u>
Total Assets	<u>40,212,171</u>	<u>43,634,693</u>
<b>Liabilities:</b>		
Other Liabilities	15,977,944	18,038,408
Long-Term Liabilities	<u>7,951,851</u>	<u>8,892,837</u>
Total Liabilities	<u>23,929,795</u>	<u>26,931,245</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	10,079,739	10,321,711
Restricted	<u>3,953,209</u>	<u>3,723,308</u>
Unrestricted	<u>2,249,428</u>	<u>2,658,429</u>
Total Net Assets	<u><u>\$16,282,376</u></u>	<u><u>\$16,703,448</u></u>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$16,282,376.

At year-end, capital assets represented 41% 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, 2012, was \$10,079,739. 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, \$3,953,209 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.

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
(Unaudited)

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

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2012	2011 Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,472,328	\$1,405,912
Operating Grants, Contributions	3,886,609	4,504,623
General Revenues:		
Income Taxes	3,718,477	3,444,814
Property Taxes	10,859,446	9,761,161
Grants and Entitlements	9,600,112	9,987,232
Other	<u>28,930</u>	<u>174,177</u>
Total Revenues	<u>29,565,902</u>	<u>29,277,919</u>
Program Expenses:		
Instruction	17,307,739	17,398,300
Support Services:		
Pupil and Instructional Staff	3,301,591	3,376,960
School Administrative, General		
Administration, Fiscal and Business	2,674,408	2,705,196
Operations and Maintenance	2,386,775	2,153,039
Pupil Transportation	1,428,244	1,385,279
Central	320,490	326,381
Operation of Non-Instructional Services	1,477,812	1,399,553
Extracurricular Activities	633,298	533,571
Interest and Fiscal Charges	<u>456,617</u>	<u>323,834</u>
Total Program Expenses	<u>29,986,974</u>	<u>29,602,113</u>
Change in Net Assets	(421,072)	(324,194)
Net Assets Beginning of Year, Restated	<u>16,703,448</u>	<u>17,027,642</u>
Net Assets End of Year	<u>\$16,282,376</u>	<u>\$16,703,448</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 82% of the District's revenues for governmental activities.

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
**(Unaudited)**

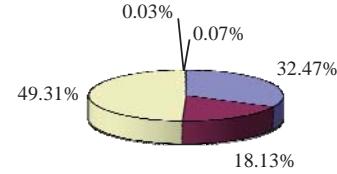
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The District depends greatly on both income and property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not 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 49% of revenue for governmental activities for the District in fiscal year 2012.

Make up of revenues for the District:

Revenue Sources	2012	Percent of Total
General Grants	\$9,600,112	32.5%
Program Revenues	5,358,937	18.1%
General Tax Revenues	14,577,923	49.3%
Investment Earnings	7,711	0.0%
Other Revenues	21,219	0.1%
<b><u>\$29,565,902</u></b>	<b><u>100.0%</u></b>	



Instruction comprises 57.7% of governmental program expenses. Support services expenses were 33.7% of governmental program expenses. All other expenses including interest expense were 8.6%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants decreased mainly due to a decrease in grant monies (intergovernmental revenue) received in 2012 compared to 2011. Total Expenses increased from 2011 due to general inflationary factors. Operations and Maintenance increased due to an increase in depreciation expense. Grants and Entitlements decreased due to stimulus money was received during 2011 and not received in 2012. Property tax revenue increased due to an increase in delinquent taxes collected.

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
(Unaudited)

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### **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	
	2012	2011 Restated	2012	2011 Restated
Instruction	\$17,307,739	\$17,398,300	(\$14,355,489)	(\$14,519,067)
Support Services:				
Pupil and Instructional Staff	3,301,591	3,376,960	(2,660,718)	(2,591,872)
School Administrative, General				
Administration, Fiscal and Business	2,674,408	2,705,196	(2,628,584)	(2,638,126)
Operations and Maintenance	2,386,775	2,153,039	(2,359,718)	(1,562,765)
Pupil Transportation	1,428,244	1,385,279	(1,376,965)	(1,341,982)
Central	320,490	326,381	(294,180)	(316,859)
Operation of Non-Instructional Services	1,477,812	1,399,553	(24,524)	35,873
Extracurricular Activities	633,298	533,571	(471,242)	(432,946)
Interest and Fiscal Charges	456,617	323,834	(456,617)	(323,834)
Total Expenses	<u>\$29,986,974</u>	<u>\$29,602,113</u>	<u>(\$24,628,037)</u>	<u>(\$23,691,578)</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 \$18,660,121 (78%) and the debt service fund comprised \$2,490,574 (10%) of the total \$23,866,552 governmental funds assets.

**General Fund:** Fund balance at June 30, 2012 was \$2,709,815 including \$1,874,760 of unassigned balance. The primary reason for the decrease in fund balance was due to general inflationary factors.

**Debt Service Fund:** Fund balance at June 30, 2012 was \$1,740,938 a decrease of \$41,587 in fund balance. The primary reason for the decrease in fund balance was due to an increase in principal and interest payments from 2011.

### **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 2012, 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.

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
**(Unaudited)**

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For the General Fund, final budget basis revenue was \$23,969,686, compared to original budget estimates of \$22,848,763. Of this \$1,120,923 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 \$2,837,595.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$16,318,536 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	Governmental Activities	
	2012	2011
Land	\$624,927	\$624,927
Buildings and Improvements	14,941,232	15,561,466
Equipment	752,377	933,246
Total Net Capital Assets	<u>\$16,318,536</u>	<u>\$17,119,639</u>

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

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

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**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
(Unaudited)

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***Debt***

At June 30, 2012, the District had \$7,031,150 in bonds and capital leases outstanding, \$1,357,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5  
Outstanding Debt, at Year End

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011 Restated</b>
<b>Governmental Activities:</b>		
Wilmington H.S. Addition Renovation	\$1,255,000	\$1,630,000
<b>2001 Refunding Bonds:</b>		
Current Interest Bonds -		
Capital Appreciation Bonds	243,262	475,000
Capital Appreciation Bonds - Compounding Interest	604,550	997,858
<b>2006 Refunding Bonds:</b>		
Current Interest Bonds -		
School Improvement	2,830,000	2,880,000
Capital Appreciation Bonds	110,000	110,000
Capital Appreciation Bonds - Compounding Interest	187,803	142,255
Premium on 2006 Refunding Bonds	138,535	153,928
2012 QSCB Bonds	265,000	0
Capital Leases	<u>1,397,000</u>	<u>1,549,000</u>
Total Bonds and Capital Leases	<u><u>\$7,031,150</u></u>	<u><u>\$7,938,041</u></u>

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

**For the Future**

The District is 60% funded by local sources, of which about one-fourth is from a one percent income tax levy. In November, 2011, the voters were asked to renew the levy which was scheduled to end on December 31, 2012. The levy passed in November. If the levy renewal failed, it would have yielded a revenue shortfall of \$3,600,000 and had a detrimental impact on staffing and educational programs.

Property tax receipts are another source of funding. While home values have declined, the local hospital has sold to a taxable entity and so the District expects to receive an additional \$350,000 in real estate tax receipts. This is expected to compensate from some of the decrease from the loss in value. In addition, a pipeline company came into the District in 2010 and will be paying public utility personal property tax for a limited time.

State funding which represents about 40% of the District's resources is under revision by the State legislature. In FY 2010 and FY 2011, the State supplemented the payments with Stimulus funds from the federal government. After FY 2011, the Stimulus funds are no longer available. The State provides basic support as well as reimbursement for the loss in tangible personal property. With the elimination of the Stimulus money, coupled with a revision in the funding formula currently underway, it is projected that the District will lose \$1,071,382 in FY 2012 and another \$323,663 in FY 2013 from the State.

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2012**  
**(Unaudited)**

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The decision was made to eliminate seventeen positions after FY 2011, which was accomplished through retirements, attrition, and reduction in force. Additional reductions are planned for FY 2013. The District expended \$1,256,331 more than it received in FY 2011, and expenses are projected to exceed revenue in FY 2012.

Even with an unemployment rate of 20% in the Wilmington community, enrollment has remained stable. However, the number of students on free and reduced lunch now exceeds 50%. Even with the change in student population, the District achieved an Excellent rating on the Report Card.

**Contacting the District's Financial Management**

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

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Wilmington City School District  
 Statement of Net Assets  
 June 30, 2012

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	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$6,388,258
Restricted Cash and Investments	57,982
Receivables:	
Taxes	16,472,377
Accounts	7,630
Intergovernmental	914,414
Deferred Bond Issuance Costs	41,574
Inventory	11,400
Nondepreciable Capital Assets	624,927
Depreciable Capital Assets, Net	<u>15,693,609</u>
Total Assets	<u>40,212,171</u>
Liabilities:	
Accounts Payable	417,963
Accrued Wages and Benefits	2,602,190
Accrued Interest Payable	20,011
Contracts Payable	215,110
Unearned Revenue	12,722,670
Long-Term Liabilities:	
Due Within One Year	1,513,951
Due In More Than One Year	<u>6,437,900</u>
Total Liabilities	<u>23,929,795</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	10,079,739
Restricted for:	
Debt Service	1,882,319
Capital Projects	161,601
Classroom Facilities Maintenance	996,309
Food Service	121,385
Student Activity	63,291
Federal Grants	686,732
Other Purposes	41,572
Unrestricted	<u>2,249,428</u>
Total Net Assets	<u>\$16,282,376</u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$13,547,880	\$662,645	\$729,392	(\$12,155,843)
Special	2,858,485	97,242	1,343,099	(1,418,144)
Vocational	240,553	0	43,281	(197,272)
Other	660,821	76,591	0	(584,230)
Support Services:				
Pupil	1,620,702	0	81,627	(1,539,075)
Instructional Staff	1,680,889	0	559,246	(1,121,643)
General Administration	108,953	0	0	(108,953)
School Administration	1,555,355	0	0	(1,555,355)
Fiscal	733,976	0	45,824	(688,152)
Business	276,124	0	0	(276,124)
Operations and Maintenance	2,386,775	3,250	23,807	(2,359,718)
Pupil Transportation	1,428,244	0	51,279	(1,376,965)
Central	320,490	17,310	9,000	(294,180)
Operation of Non-Instructional Services	1,477,812	491,395	961,893	(24,524)
Extracurricular Activities	633,298	123,895	38,161	(471,242)
Interest and Fiscal Charges	456,617	0	0	(456,617)
Total Governmental Activities	<u>\$29,986,974</u>	<u>\$1,472,328</u>	<u>\$3,886,609</u>	<u>(24,628,037)</u>

General Revenues:	
Income Taxes	3,718,477
Property Taxes Levied for:	
General Purposes	9,399,038
Special Revenue Purposes	170,179
Debt Service Purposes	1,180,748
Capital Projects Purposes	109,481
Grants and Entitlements not Restricted to Specific Programs	9,600,112
Investment Earnings	7,711
Other Revenues	21,219
Total General Revenues	<u>24,206,965</u>
Change in Net Assets	(421,072)
Net Assets Beginning of Year, Restated	<u>16,703,448</u>
Net Assets End of Year	<u>\$16,282,376</u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$3,261,008	\$1,629,529	\$1,497,721	\$6,388,258
Restricted Cash and Investments	57,982	0	0	57,982
<b>Receivables:</b>				
Taxes	15,306,074	861,045	305,258	16,472,377
Accounts	7,630	0	0	7,630
Intergovernmental	12,926	0	901,488	914,414
Interfund	14,491	0	0	14,491
Inventory	0	0	11,400	11,400
<b>Total Assets</b>	<b>18,660,111</b>	<b>2,490,574</b>	<b>2,715,867</b>	<b>23,866,552</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	339,261	0	78,702	417,963
Accrued Wages and Benefits	2,242,447	0	359,743	2,602,190
Compensated Absences	28,517	0	0	28,517
Contracts Payable	215,110	0	0	215,110
Interfund Payable	0	0	14,491	14,491
Deferred Revenue	13,124,961	749,636	940,564	14,815,161
<b>Total Liabilities</b>	<b>15,950,296</b>	<b>749,636</b>	<b>1,393,500</b>	<b>18,093,432</b>
<b>Fund Balances:</b>				
Nonspendable	0	0	11,400	11,400
Restricted	0	1,740,938	1,380,290	3,121,228
Assigned	835,055	0	0	835,055
Unassigned	1,874,760	0	(69,323)	1,805,437
<b>Total Fund Balances</b>	<b>2,709,815</b>	<b>1,740,938</b>	<b>1,322,367</b>	<b>5,773,120</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$18,660,111</b>	<b>\$2,490,574</b>	<b>\$2,715,867</b>	<b>\$23,866,552</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, 2012

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Total Governmental Fund Balance \$5,773,120

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. 16,318,536

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

Delinquent Property Taxes	1,431,987
Intergovernmental	<u>660,504</u>
	2,092,491

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. (20,011)

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	(892,184)
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Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.	41,574
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Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,031,150)</u>
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Net Assets of Governmental Activities	<u>\$16,282,376</u>
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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, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$12,970,715	\$1,144,271	\$276,663	\$14,391,649
Tuition and Fees	759,887	0	0	759,887
Investment Earnings	6,889	0	822	7,711
Intergovernmental	10,108,107	258,147	3,126,008	13,492,262
Extracurricular Activities	0	0	123,895	123,895
Charges for Services	0	0	491,395	491,395
Other Revenues	0	0	24,468	24,468
<b>Total Revenues</b>	<b>23,845,598</b>	<b>1,402,418</b>	<b>4,043,251</b>	<b>29,291,267</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	12,083,133	0	719,997	12,803,130
Special	2,066,381	0	725,588	2,791,969
Vocational	230,862	0	0	230,862
Other	660,821	0	0	660,821
<b>Support Services:</b>				
Pupil	1,535,679	0	73,584	1,609,263
Instructional Staff	1,128,755	0	554,665	1,683,420
General Administration	106,321	0	0	106,321
School Administration	1,423,053	0	0	1,423,053
Fiscal	676,113	47,389	13,342	736,844
Business	274,420	0	0	274,420
Operations and Maintenance	2,247,617	0	23,807	2,271,424
Pupil Transportation	1,305,869	0	9,738	1,315,607
Central	278,355	0	9,000	287,355
Operation of Non-Instructional Services	0	0	1,462,283	1,462,283
Extracurricular Activities	456,334	0	174,270	630,604
Capital Outlay	67,026	0	361,993	429,019
<b>Debt Service:</b>				
Principal Retirement	76,000	1,205,000	76,000	1,357,000
Interest and Fiscal Charges	16,807	191,616	59,262	267,685
<b>Total Expenditures</b>	<b>24,633,546</b>	<b>1,444,005</b>	<b>4,263,529</b>	<b>30,341,080</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(787,948)</b>	<b>(41,587)</b>	<b>(220,278)</b>	<b>(1,049,813)</b>
<b>Other Financing Sources (Uses):</b>				
Issuance of School Construction Bonds	0	0	265,000	265,000
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>265,000</b>	<b>265,000</b>
<b>Net Change in Fund Balance</b>	<b>(787,948)</b>	<b>(41,587)</b>	<b>44,722</b>	<b>(784,813)</b>
<b>Fund Balance Beginning of Year</b>	<b>3,497,763</b>	<b>1,782,525</b>	<b>1,277,645</b>	<b>6,557,933</b>
<b>Fund Balance End of Year</b>	<b>\$2,709,815</b>	<b>\$1,740,938</b>	<b>\$1,322,367</b>	<b>\$5,773,120</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, 2012

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Net Change in Fund Balance - Total Governmental Funds (\$784,813)

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	386,159
Depreciation Expense	<u>(1,187,262)</u>
	(801,103)

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

Delinquent Property Taxes	186,274
Intergovernmental	<u>88,361</u>
	274,635

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

1,357,000

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

796

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	(12,859)
Amortization of Bond Issuance Cost	(4,619)
Amortization of Bond Premium	15,393
Bond Accretion	<u>(200,502)</u>
	(202,587)

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

(265,000)

Change in Net Assets of Governmental Activities (\$421,072)

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2012

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$257	\$66,655
Receivables:		
Accounts	<u>0</u>	<u>2,430</u>
Total Assets	<u>257</u>	<u>69,085</u>
Liabilities:		
Accounts Payable	0	3,656
Other Liabilities	<u>0</u>	<u>65,429</u>
Total Liabilities	<u>0</u>	<u>\$69,085</u>
Net Assets:		
Held in Trust	<u>257</u>	
Total Net Assets	<u><u>257</u></u>	

See accompanying notes to the Basic Financial Statements.

Wilmington City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2012

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	Private Purpose Trust
Additions:	
Donations	<u>\$257</u>
Total Additions	<u>257</u>
Deductions:	
Scholarships	<u>0</u>
Total Deductions	<u>0</u>
Change in Net Assets	257
Net Assets Beginning of Year	<u>0</u>
Net Assets End of Year	<u><u>\$257</u></u>

See accompanying notes to the Basic Financial Statements.

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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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 122 non-certificated and 218 certificated teaching personnel and 16 administrative employees to provide service to 3,225 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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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### **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.

### **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.

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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**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, 2012, but which were levied to finance fiscal year 2013 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.

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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**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 2012 amounted to \$6,889 and \$822 in the other governmental funds.

**Inventory**

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

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

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

**Capital Assets**

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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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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

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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**SICK LEAVE**

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	240 days	240 days	240 days as of 01/01/11
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 \$3,953,209 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.

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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**Fund Balance**

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

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

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

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

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

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

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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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.

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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- (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, 2012, \$4,158,157 of the District's bank balance of \$4,992,437 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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**Investments**

As of June 30, 2012, the District had the following investments:

	Weighted Average
	Fair Value
	Maturity (Years)
Money Market Fund	<u>\$7,060</u>
	<u>0.00</u>

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Money Market Funds are not rated. Repurchase agreements which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 100% of the District's investments in Money Market Funds.

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**

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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2012. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$854,576 in the General Fund, \$111,409 in the Debt Service Fund and \$25,198 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2012 were based as follows:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$422,220,920
Public Utility Personal	<u>48,771,390</u>
Total	<u>\$470,992,310</u>

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**Note 5 – Receivables**

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Receivables at June 30, 2012, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 6 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending 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	29,833,827	348,891	0	30,182,718
Equipment	6,150,403	37,268	0	6,187,671
Totals at Historical Cost	<u>\$36,609,157</u>	<u>\$386,159</u>	<u>\$0</u>	<u>\$36,995,316</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$14,272,361	\$969,125	\$0	\$15,241,486
Equipment	5,217,157	218,137	0	5,435,294
Total Accumulated Depreciation	<u>19,489,518</u>	<u>1,187,262</u>	<u>0</u>	<u>20,676,780</u>
Governmental Activities Capital Assets, Net	<u>\$17,119,639</u>	<u>(\$801,103)</u>	<u>\$0</u>	<u>\$16,318,536</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$706,428
Special	71,359
Vocational	9,691
Support Services:	
Instructional Staff	21,350
General Administration	2,632
School Administration	107,178
Operations and Maintenance	108,596
Pupil Transportation	117,038
Central	29,074
Operation of Non-Instructional Services	13,139
Extracurricular Activities	777
Total Depreciation Expense	<u><u>\$1,187,262</u></u>

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**Note 7 – Long-Term Liabilities**

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	Interest Rate	Beginning Balance Restated			Ending Balance	Due In One Year
		Additions	Deductions			
<b>Governmental Activities:</b>						
General Obligation Bonds and Notes:						
Wilmington H.S. Addition Renovation	4.98%	\$1,630,000	\$0	\$375,000	\$1,255,000	\$395,000
2001 Refunding Bonds	3.80%	475,000	0	231,738	243,262	195,234
1998 Bond Issue - 2006 Capital Appreciation Bonds		997,858	154,954	548,262	604,550	544,766
2006 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	3.50%	2,880,000	0	50,000	2,830,000	50,000
Capital Appreciation Bonds		110,000	0	0	110,000	0
Capital Appreciation Bonds - Compounding Interest	3.50%	142,255	45,548	0	187,803	0
Premium on 2006 Refunding Bonds		153,928	0	15,393	138,535	0
2012 QSCB Bonds	5.85%	0	265,000	0	265,000	15,000
Total General Obligation Bonds		6,389,041	465,502	1,220,393	5,634,150	1,200,000
Capital Leases		1,549,000	0	152,000	1,397,000	157,000
Total Long Term Debt		7,938,041	465,502	1,372,393	7,031,150	1,357,000
Compensated Absences		954,796	178,865	212,960	920,701	156,951
Total Governmental Activities		<u>\$8,892,837</u>	<u>\$644,367</u>	<u>\$1,585,353</u>	<u>\$7,951,851</u>	<u>\$1,513,951</u>

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

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$460,000	\$183,707	\$643,707	\$195,234	\$544,766	\$740,000
2014	485,000	159,486	644,486	48,027	156,973	205,000
2015	505,000	133,389	638,389	0	0	0
2016	15,000	119,631	134,631	110,000	380,000	490,000
2017	515,000	108,754	623,754	0	0	0
2018-2022	2,275,000	221,268	2,496,268	0	0	0
2023-2026	95,000	11,554	106,554	0	0	0
Total	<u>\$4,350,000</u>	<u>\$937,789</u>	<u>\$5,287,789</u>	<u>\$353,261</u>	<u>\$1,081,739</u>	<u>\$1,435,000</u>

**Note 8 – Prior Year Defeasance of Debt**

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In prior years, the Distirct 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, 2012, \$3,165,000 of bonds outstanding are considered defeased.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**Note 9 – Capital Leases – Lessee Disclosure**

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

The District began making principal payments in fiscal year 2007. The principal amount owed on the lease at fiscal year end is \$327,000.

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

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

The District began making principal payments in fiscal year 2010. The principal amount owed on the lease at fiscal year end is \$1,070,000.

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

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

Fiscal Year Ending June 30,	Long-Term Debt
2013	\$217,036
2014	216,222
2015	215,150
2016	212,818
2017	124,270
2018-2022	616,808
2023	123,028
Total Minimum Lease Payments	1,725,332
Less: Amount Representing Interest	(316,814)
Less: Additional Program Cost Component	(11,518)
Present Value of Minimum Lease Payments	<u><u>\$1,397,000</u></u>

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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

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

**Note 10 - Pension Plans**

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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, 2012, the allocation to pension and death benefits is 11.81%. The remaining 2.19% 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, 2012, 2011, and 2010 were \$619,560, \$594,576, and \$524,196, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**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).

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**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.

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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**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, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$1,732,404, \$1,755,084, and \$1,758,660, respectively; 82% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**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 2012 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2012, 2011 and 2010 were \$33,633, \$32,277 and \$28,456, 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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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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, 2012, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, 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, 2012, 2011, and 2010 were \$63,284, \$60,732, and \$17,224, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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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, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$123,743, \$125,363, and \$125,619, respectively; 82% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Note 12 – Contingent Liabilities**

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**Student Attendance Data Review**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**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, 2012.

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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**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**

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**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 Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and a considerable number of Federal and State Grants.

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

**Wilmington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2012**

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**Note 14 – Risk Management**

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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.

**Note 15 – Accountability**

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

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Special Revenue:	
Education Jobs	\$43,543
Special Education	12,267
Improving Teacher Quality	13,513

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**

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

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2011	(\$1,468,260)	\$0	\$57,982
Current Year Set Aside Requirement	0	562,514	0
Qualified Disbursements	0	(588,868)	0
Elimination due to H.B. 30 of the 129th General Assembly	1,468,260	0	0
Current Year Offsets	0	(8,194,960)	0
Set Aside Reserve Balance as of June 30, 2012	<u><u>\$0</u></u>	<u><u>(\$8,221,314)</u></u>	<u><u>\$57,982</u></u>

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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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 \$588,868. 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.

**Note 17 – Interfund Transactions**

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Interfund transactions at June 30, 2012, consisted of the following interfund receivables and interfund payables:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$14,491	\$0
Other Governmental Funds	0	14,491
Total All Funds	<u><u>\$14,491</u></u>	<u><u>\$14,491</u></u>

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

**Note 18 – Fund Balances**

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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$0	\$0	\$11,400	\$11,400
<b>Total Nonspendable</b>	<b>0</b>	<b>0</b>	<b>11,400</b>	<b>11,400</b>
<b>Restricted for:</b>				
Hopewell Grant	0		4,512	4,512
Student Activity	0	0	63,291	63,291
Vocational Education	0	0	480	480
Auxiliary Services	0	0	19,804	19,804
Miscellaneous State Grants	0	0	14,185	14,185
Vocational Education	0	0	6,076	6,076
Title I	0	0	24,607	24,607
IDEA Preschool Grant	0	0	1,304	1,304
Technology II D	0	0	448	448
Race to the Top	0	0	8,651	8,651
Food Service	0	0	111,560	111,560
Classroom Facilities Maintenance	0	0	985,431	985,431
Debt Service	0	1,740,938	0	1,740,938
Permanent Improvement	0	0	139,941	139,941
<b>Total Restricted</b>	<b>0</b>	<b>1,740,938</b>	<b>1,380,290</b>	<b>3,121,228</b>
<b>Assigned to:</b>				
Encumbrances	206,350	0	0	206,350
Public School	113,641	0	0	113,641
Budgetary Resources	515,064	0	0	515,064
<b>Total Assigned</b>	<b>835,055</b>	<b>0</b>	<b>0</b>	<b>835,055</b>
<b>Unassigned (Deficit)</b>	<b>1,874,760</b>	<b>0</b>	<b>(69,323)</b>	<b>1,805,437</b>
<b>Total Fund Balance</b>	<b>\$2,709,815</b>	<b>1,740,938</b>	<b>\$1,322,367</b>	<b>\$5,773,120</b>

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**Note 19 – Subsequent Event**

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The District signed an Education Agreement in July 2012 with the Clinton County Port Authority. The Port Authority agreed to provide an aggregate of \$450,000 to the School District during FY13 in four equal payments of \$112,500. The District will receive the first payment on or about July 31, 2012.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2012**

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**Note 20 – Restatement of Net Assets**

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The District restated the governmental activities for long term debt obligations (accrued interest on capital appreciation bonds).

	<u>Governmental Activities</u>
Net Assets, June 30, 2011	\$17,701,306
Restatement of Long Term Debt Obligations	<u>(997,858)</u>
Net Assets, Restated June 30, 2011	<u><u>\$16,703,448</u></u>

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, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,212,746	\$12,811,883	\$12,730,426	(\$81,457)
Tuition and Fees	807,107	846,702	841,319	(5,383)
Investment Earnings	6,996	7,340	7,293	(47)
Intergovernmental	9,688,019	10,163,297	10,098,680	(64,617)
Other Revenues	133,895	140,464	139,571	(893)
Total Revenues	22,848,763	23,969,686	23,817,289	(152,397)
Expenditures:				
Current:				
Instruction:				
Regular	12,913,706	12,913,706	12,236,191	677,515
Special	2,127,147	2,127,147	2,015,547	111,600
Vocational	244,474	244,474	231,648	12,826
Other	697,511	697,511	660,916	36,595
Support Services:				
Pupil	1,575,359	1,575,359	1,492,708	82,651
Instructional Staff	1,174,316	1,174,316	1,112,706	61,610
General Administration	110,401	110,401	104,609	5,792
School Administration	1,437,207	1,437,207	1,361,804	75,403
Fiscal	707,804	707,804	670,669	37,135
Business	287,622	287,622	272,532	15,090
Operations and Maintenance	2,346,750	2,346,750	2,223,628	123,122
Pupil Transportation	1,394,481	1,394,481	1,321,320	73,161
Central	276,677	276,677	262,161	14,516
Extracurricular Activities	464,191	464,191	439,837	24,354
Capital Outlay	70,737	70,737	67,026	3,711
Debt Service:				
Principal Retirement	76,000	80,208	76,000	4,208
Interest and Fiscal Charges	21,946	17,738	16,807	931
Total Expenditures	25,926,329	25,926,329	24,566,109	1,360,220
Excess of Revenues Over (Under) Expenditures	(3,077,566)	(1,956,643)	(748,820)	1,207,823
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	13,352	14,007	13,918	(89)
Advances (Out)	(518)	(518)	(491)	27
Transfers In	173,930	182,463	181,303	(1,160)
Transfers (Out)	(191,342)	(191,342)	(181,303)	10,039
Total Other Financing Sources (Uses)	(4,578)	4,610	13,427	8,817
Net Change in Fund Balance	(3,082,144)	(1,952,033)	(735,393)	1,216,640
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,572,988	3,572,988	3,572,988	0
Fund Balance End of Year	\$490,844	\$1,620,955	\$2,837,595	\$1,216,640

See accompanying notes to the required supplementary information.

**Wilmington City School District**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2012**

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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 2012.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as 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.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

**Wilmington City School District**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2012**

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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	(\$787,948)
Revenue Accruals	(28,309)
Expenditure Accruals	436,018
Proceeds of Capital Assets	13,918
Transfers In	181,303
Transfers (Out)	(181,303)
Advances (Out)	(491)
Encumbrances	(368,172)
Funds Budgeted Elsewhere	(409)
Budget Basis	<u><u>(\$735,393)</u></u>

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed through Ohio Department of Education:</i>					
National School Lunch Program	10.555	\$ 681,607	\$ 123,816	\$ 681,607	\$ 123,816
National School Breakfast Program	10.553	136,621	----	136,621	----
<i>Total Nutrition Cluster:</i>		818,228	123,816	818,228	123,816
<b>Total U.S. Department of Agriculture</b>		<b>818,228</b>	<b>123,816</b>	<b>818,228</b>	<b>123,816</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title 1 - FY 12	84.010	464,263	----	448,107	----
Title 1 - FY 11		7,496	----	82,449	----
ARRA - Title 1, Part A, FY11	84.389	152,385	----	174,434	----
<i>Total Title I</i>		624,144	-	704,990	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY12	84.027	419,121	----	413,290	----
IDEA Part B - FY11		112,184	----	164,383	----
ARRA - IDEA Part B, FY11	84.391	80,865	----	99,123	----
Educational Handicapped Preschool					
Preschool Subsidy - FY12	84.173	8,339	----	7,967	----
Preschool Subsidy - FY11		1,513	----	2,319	----
ARRA - Preschool Subsidy, FY11	84.392	5,710	----	5,238	----
<i>Total Special Education Cluster</i>		627,732	----	692,320	----
Drug Free Schools					
Drug Free Education - Subsidy - FY11	84.186	-	----	256	----
<i>Total Drug Free School Grants</i>		-	----	256	----
Title IID - Education Technology State Grants					
Education Technology, IID - FY12	84.318	4,871		5,320	
ARRA - Education Technology, Competitive Grant - FY11	84.386	18,762		-	
<i>Total Title IID - Education Technology State Grants</i>		23,633	----	5,320	----
Additional Programs:					
Ed Jobs Fund	84.410	396,033	----	395,020	----
LEP, Title III - FY11	84.365	(452)	----	(163)	----
Improving Teacher Quality - FY12	84.367	116,296	----	113,331	----
Improving Teacher Quality - FY11		-	----	8,650	----
ARRA - State Fiscal Stabilization Fund (SFSF), FY11	84.394	23,807	----	23,807	----
ARRA - Race to the Top FY 12	84.395	37,413	----	35,482	----
<i>Total Additional Programs</i>		573,097	----	576,127	----
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education - FY12	84.048	8,288	----	3,203	----
Career Education - FY11		-	----	488	----
<i>Total Vocational Education</i>		8,288	----	3,691	----
<b>Total Department of Education</b>		<b>1,856,894</b>	----	<b>1,982,704</b>	----
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					
<i>Passed through Ohio Environmental Protection Agency</i>					
State Clean Diesel Grant Program	60.040	9,738	----	9,738	----
<b>Total Environmental Protection Agency</b>		<b>9,738</b>	<b>0</b>	<b>9,738</b>	<b>0</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 2,684,860</b>	<b>\$ 123,816</b>	<b>\$ 2,810,670</b>	<b>\$ 123,816</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 RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT 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 Ave.  
Wilmington, Ohio 45177

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2013. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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*.

Wilmington City School District  
Clinton County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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



**Dave Yost**  
Auditor of State

March 4, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### 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 could directly and materially affect each of the Wilmington City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Wilmington City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-001.

Wilmington City School District  
Clinton County  
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  
Page 2

### **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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2012-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 4, 2013.

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



**Dave Yost**  
Auditor of State

March 4, 2013

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA # 10.553 and 10.555 Ed Jobs CFDA # 84.410 Title I Cluster: CFDA # 84.010 and 84.389
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

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

#### **1. Noncompliance Citation/Significant Deficiency – Federal Schedule**

<b>Finding Number</b>	2012-001
<b>CFDA Title and Number</b>	Ed Jobs #84.410 and Commodities #10.555
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Office of Management and Budget (OMB) Circular A-133 Subpart C, Section .310(b)** states, in part, that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

**Office of Management and Budget (OMB) Circular A-133 Subpart C Section .300** states, in pertinent part, that the auditee shall:

- a. Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity. (d) prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_.310.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) prepared by the District was not accurate. The District recorded the following audit adjustments to accurately state Schedule receipts and expenditures:

Program	CFDA #	Receipt Adjustment	Expenditure Adjustment
Ed Jobs	84.410	\$396,033	\$395,020
Commodities	10.555	123,816	123,816
Total		\$519,849	\$518,836

We recommend the District exercise due care in the preparation and completion of the Schedule. The Treasurer should compare programs to the prior year schedule and to supporting accounting and grant records and follow up on any discrepancies.

#### **Officials' Response:**

I inadvertently left off the Education Jobs Grant when entering the Federal Schedule. Since this was the first year completing this schedule for Wilmington City Schools, I was looking back at the previous schedule to make sure I didn't miss any grants. Education Jobs wasn't on the last federal schedule, therefore I looked over it on the financial summary I was working from. I was not aware that we were required to enter the non-cash contributions for the Nutrition Cluster. I will be sure to enter that on next year's schedule and be more diligent when completing the federal schedule in the future.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Failure to report purchases on 1512 reporting.	Yes	

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**CORRECTIVE ACTION PLAN  
*OMB CIRCULAR A -133 § .315 (c)***

**JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	District will be more diligent when preparing federal schedule and compare this to prior year's federal schedule and revenue and appropriation ledgers.	6-30-12	Kimberly DeWeese, Treasurer



# Dave Yost • Auditor of State

WILMINGTON CITY SCHOOL DISTRICT

CLINTON COUNTY

#### CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MARCH 26, 2013