



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Wilmington City School District, Clinton County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

Because of inadequacies in the District's accounting records, we were unable to satisfy ourselves regarding the amount of lunchroom receipts recorded as charges for services revenue in the Food Service Enterprise Fund, which represents all of the Charges for Services in the Enterprise Fund Type.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had charges for services in the Food Service Enterprise Fund been susceptible to satisfactory audit tests, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wilmington City School District, Clinton County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, such information is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

February 12, 2002

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Wilmington City School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Investments	\$1,066,017	\$517,154	\$2,261,808	\$677,356
Restricted Equity in Pooled Cash and Investments	57,982	0	0	0
<b>Receivables:</b>				
<b>Taxes</b>	12,381,156	194,830	2,592,562	107,577
Intergovernmental	1,620	1,259	0	0
Accounts	17,047	3,130	0	0
Accrued Interest	0	0	0	2,124
Inventory	0	0	0	0
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets &amp; Other Debits</b>	<u>\$13,523,822</u>	<u>\$716,373</u>	<u>\$4,854,370</u>	<u>\$787,057</u>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$68,684	\$38,250	\$0	\$63,243
Accrued Wages & Benefits	1,639,748	101,020	0	0
Compensated Absences Payable	91,931	0	0	0
Deferred Revenue	11,346,894	196,089	2,368,161	98,946
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Notes Payable	0	0	0	0
<b>Total Liabilities</b>	<u>13,147,257</u>	<u>335,359</u>	<u>2,368,161</u>	<u>162,189</u>
<b>Fund Equity &amp; Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
<b>Retained Earnings:</b>				
Unreserved	0	0	0	0
<b>Fund Balance:</b>				
Reserved for Encumbrances	155,974	100,128	0	88,092
Reserved for Property Tax Advances	1,034,262	0	224,401	8,631
Reserved for Set-Asides	57,982	0	0	0
Unreserved & Undesignated	(871,653)	280,886	2,261,808	528,145
<b>Total Fund Equity &amp; Other Credits</b>	<u>376,565</u>	<u>381,014</u>	<u>2,486,209</u>	<u>624,868</u>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<u>\$13,523,822</u>	<u>\$716,373</u>	<u>\$4,854,370</u>	<u>\$787,057</u>

See accompanying notes.



<b>Proprietary Fund Types</b>		<b>Fiduciary Fund Types</b>	<b>Account Groups</b>		<b>Totals (Memorandum Only)</b>
<b>Enterprise</b>	<b>Internal Service</b>	<b>Trust and Agency</b>	<b>General Fixed Assets</b>	<b>General Long-Term Obligations</b>	
\$17,404	\$310,563	\$35,138	\$0	\$0	\$4,885,440
0	0	0	0	0	57,982
0	0	0	0	0	15,276,125
0	0	0	0	0	2,879
0	0	8	0	0	20,185
0	0	0	0	0	2,124
8,543	0	0	0	0	8,543
93,513	0	0	35,805,568	0	35,899,081
0	0	0	0	2,486,209	2,486,209
0	0	0	0	15,951,190	15,951,190
<b>\$119,460</b>	<b>\$310,563</b>	<b>\$35,146</b>	<b>\$35,805,568</b>	<b>\$18,437,399</b>	<b>\$74,589,758</b>
\$4,955	\$6,766	\$587	\$0	\$0	\$182,485
58,022	0	0	0	95,130	1,893,920
13,244	0	0	0	772,269	877,444
4,684	0	0	0	0	14,014,774
0	0	33,998	0	0	33,998
0	10,890	0	0	0	10,890
0	0	0	0	17,185,000	17,185,000
0	0	0	0	385,000	385,000
<b>80,905</b>	<b>17,656</b>	<b>34,585</b>	<b>0</b>	<b>18,437,399</b>	<b>34,583,511</b>
238,952	0	0	35,805,568	0	36,044,520
(200,397)	292,907	0	0	0	92,510
0	0	0	0	0	344,194
0	0	0	0	0	1,267,294
0	0	0	0	0	57,982
0	0	561	0	0	2,199,747
<b>38,555</b>	<b>292,907</b>	<b>561</b>	<b>35,805,568</b>	<b>0</b>	<b>40,006,247</b>
<b>\$119,460</b>	<b>\$310,563</b>	<b>\$35,146</b>	<b>\$35,805,568</b>	<b>\$18,437,399</b>	<b>\$74,589,758</b>

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Wilmington City School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$9,119,878	\$150,040	\$1,908,679	\$78,449	\$0	\$11,257,046
Intergovernmental	7,554,128	947,554	149,610	136,385	0	8,787,677
Investment	300,381	0	0	58,060	0	358,441
Tuition & Fees	97,469	0	0	0	0	97,469
Extracurricular Activities	0	71,326	0	0	0	71,326
Miscellaneous	113,752	216,932	0	63,858	0	394,542
<b>Total Revenues</b>	<b>17,185,608</b>	<b>1,385,852</b>	<b>2,058,289</b>	<b>336,752</b>	<b>0</b>	<b>20,966,501</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	8,596,064	485,057	0	106,648	0	9,187,769
Special	1,653,583	378,647	0	0	0	2,032,230
Vocational	352,186	0	0	0	0	352,186
Other	453,163	0	0	0	0	453,163
<b>Support Services:</b>						
Pupils	698,002	11,800	0	0	0	709,802
Instructional Staff	549,821	217,785	0	1,100	0	768,706
Board of Education	146,364	0	0	0	0	146,364
Administration	1,250,634	6,258	0	0	0	1,256,892
Fiscal	421,569	2,750	36,661	1,617	0	462,597
Business	131,409	0	0	0	0	131,409
Operation & Maintenance of Plant	1,646,002	0	0	0	0	1,646,002
Pupil Transportation	931,686	0	0	0	0	931,686
Central	2,654	7,230	0	0	0	9,884
Extracurricular Activities	247,028	102,112	0	0	500	349,640
Capital Outlay	0	44,959	0	1,122,619	0	1,167,578
<b>Debt Service:</b>						
Principal Retirement	0	0	1,145,000	0	0	1,145,000
Interest & Fiscal Charges	0	0	1,039,669	0	0	1,039,669
<b>Total Expenditures</b>	<b>17,080,165</b>	<b>1,256,598</b>	<b>2,221,330</b>	<b>1,231,984</b>	<b>500</b>	<b>21,790,577</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>105,443</b>	<b>129,254</b>	<b>(163,041)</b>	<b>(895,232)</b>	<b>(500)</b>	<b>(824,076)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	13,293	0	0	0	0	13,293
Operating Transfers Out	(45,000)	0	0	0	0	(45,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(31,707)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,707)</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>73,736</b>	<b>129,254</b>	<b>(163,041)</b>	<b>(895,232)</b>	<b>(500)</b>	<b>(855,783)</b>
<b>Fund Balance, Beginning of Year</b>	<b>302,829</b>	<b>251,760</b>	<b>2,649,250</b>	<b>1,520,100</b>	<b>1,061</b>	<b>4,725,000</b>
<b>Fund Balance, End of Year</b>	<b>\$376,565</b>	<b>\$381,014</b>	<b>\$2,486,209</b>	<b>\$624,868</b>	<b>\$561</b>	<b>\$3,869,217</b>

See accompanying notes.

Wilmington City School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$9,032,997	\$9,032,997	\$0	\$159,854	\$159,854	\$0
Intergovernmental	7,569,375	7,569,375	0	947,554	947,554	0
Investment	313,808	313,808	0	0	0	0
Tuition & Fees	97,404	97,404	0	0	0	0
Extracurricular Activities	0	0	0	71,326	71,326	0
Miscellaneous	113,175	113,175	0	215,020	215,020	0
<b>Total Revenues</b>	<b>17,126,759</b>	<b>17,126,759</b>	<b>0</b>	<b>1,393,754</b>	<b>1,393,754</b>	<b>0</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	8,618,486	8,618,486	0	599,876	599,876	0
Special	1,644,075	1,644,075	0	383,177	383,177	0
Vocational	360,697	360,697	0	0	0	0
Other	469,159	469,159	0	0	0	0
<b>Support Services:</b>						
Pupils	711,603	711,603	0	16,149	16,149	0
Instructional Staff	564,911	564,911	0	217,456	217,456	0
Board of Education	184,559	184,559	0	0	0	0
Administration	1,261,687	1,261,687	0	6,258	6,258	0
Fiscal	426,425	426,425	0	2,750	2,750	0
Business	140,501	140,501	0	0	0	0
Operation & Maintenance of Plant	1,715,530	1,715,530	0	380	380	0
Pupil Transportation	1,008,059	1,008,059	0	0	0	0
Central	2,759	2,759	0	26,808	26,808	0
Capital Outlay	0	0	0	44,959	44,959	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>17,357,523</b>	<b>17,357,523</b>	<b>0</b>	<b>1,401,391</b>	<b>1,401,391</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>(230,764)</b>	<b>(230,764)</b>	<b>0</b>	<b>(7,637)</b>	<b>(7,637)</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	643	643	0	0	0	0
Operating Transfers In	0	0	0	18,394	18,394	0
Operating Transfers Out	(45,000)	(45,000)	0	(18,394)	(18,394)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(44,357)</b>	<b>(44,357)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>(275,121)</b>	<b>(275,121)</b>	<b>0</b>	<b>(7,637)</b>	<b>(7,637)</b>	<b>0</b>
<b>Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)</b>	<b>1,203,116</b>	<b>1,203,116</b>	<b>0</b>	<b>387,902</b>	<b>387,902</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$927,995</b>	<b>\$927,995</b>	<b>\$0</b>	<b>\$380,265</b>	<b>\$380,265</b>	<b>\$0</b>

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,858,978	\$1,858,978	\$0	\$77,669	\$77,669	\$0	\$11,129,498	\$11,129,498	\$0
149,610	149,610	0	136,385	136,385	0	8,802,924	8,802,924	0
0	0	0	60,780	60,780	0	374,588	374,588	0
0	0	0	0	0	0	97,404	97,404	0
0	0	0	0	0	0	71,326	71,326	0
0	0	0	63,858	63,858	0	392,053	392,053	0
2,008,588	2,008,588	0	338,692	338,692	0	20,867,793	20,867,793	0
0	0	0	108,223	108,223	0	9,326,585	9,326,585	0
0	0	0	0	0	0	2,027,252	2,027,252	0
0	0	0	0	0	0	360,697	360,697	0
0	0	0	0	0	0	469,159	469,159	0
0	0	0	0	0	0	727,752	727,752	0
0	0	0	1,100	1,100	0	783,467	783,467	0
0	0	0	0	0	0	184,559	184,559	0
0	0	0	0	0	0	1,267,945	1,267,945	0
36,661	36,661	0	1,617	1,617	0	467,453	467,453	0
0	0	0	0	0	0	140,501	140,501	0
0	0	0	0	0	0	1,715,910	1,715,910	0
0	0	0	0	0	0	1,008,059	1,008,059	0
0	0	0	0	0	0	29,567	29,567	0
0	0	0	1,323,037	1,323,037	0	1,367,996	1,367,996	0
1,145,000	1,145,000	0	0	0	0	1,145,000	1,145,000	0
1,039,669	1,039,669	0	0	0	0	1,039,669	1,039,669	0
2,221,330	2,221,330	0	1,433,977	1,433,977	0	22,414,221	22,414,221	0
(212,742)	(212,742)	0	(1,095,285)	(1,095,285)	0	(1,546,428)	(1,546,428)	0
0	0	0	0	0	0	643	643	0
0	0	0	0	0	0	18,394	18,394	0
0	0	0	0	0	0	(63,394)	(63,394)	0
0	0	0	0	0	0	(44,357)	(44,357)	0
(212,742)	(212,742)	0	(1,095,285)	(1,095,285)	0	(1,590,785)	(1,590,785)	0
2,474,551	2,474,551	0	1,674,136	1,674,136	0	5,739,705	5,739,705	0
\$2,261,809	\$2,261,809	\$0	\$578,851	\$578,851	\$0	\$4,148,920	\$4,148,920	\$0

**Wilmington City School District**  
**Combined Statement of Revenues, Expenses**  
**And Changes in Retained Earnings**  
**All Proprietary Fund Types**  
**For the Year Ended June 30, 2001**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Operating Revenues:</b>			
Charges for Services	\$471,290	\$0	\$471,290
Miscellaneous Revenue	0	270,592	270,592
<b>Total Operating Revenues</b>	<b>471,290</b>	<b>270,592</b>	<b>741,882</b>
<b>Operating Expenses:</b>			
Salaries	286,571	0	286,571
Fringe Benefits	134,069	0	134,069
Purchased Services	6,335	0	6,335
Materials & Supplies	240,849	0	240,849
Depreciation	57,179	0	57,179
Claims	0	200,582	200,582
<b>Total Operating Expenses</b>	<b>725,003</b>	<b>200,582</b>	<b>925,585</b>
<b>Operating Income (Loss)</b>	<b>(253,713)</b>	<b>70,010</b>	<b>(183,703)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Loss on Disposal of Fixed Assets	(14,998)	0	(14,998)
Miscellaneous Revenue	6,074	0	6,074
Donated Commodities	29,304	0	29,304
Operating Grants - State & Local	9,970	0	9,970
Operating Grants - Federal	153,222	0	153,222
<b>Total Non-Operating Revenues</b>	<b>183,572</b>	<b>0</b>	<b>183,572</b>
<b>Income (Loss) before Operating Transfers</b>	<b>(70,141)</b>	<b>70,010</b>	<b>(131)</b>
<b>Operating Transfers In</b>	<b>45,000</b>	<b>0</b>	<b>45,000</b>
<b>Net Income (Loss)</b>	<b>(25,141)</b>	<b>70,010</b>	<b>44,869</b>
<b>Retained Earnings (Restated), Beginning of Year</b>	<b>(175,256)</b>	<b>222,897</b>	<b>47,641</b>
<b>Retained Earnings, End of Year</b>	<b>(\$200,397)</b>	<b>\$292,907</b>	<b>\$92,510</b>

See accompanying notes.

Wilmington City School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum only)
	Enterprise	Internal Service	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Tuition & Fees	\$471,290	\$0	\$471,290
Cash Received from Investment Earnings	0	0	0
Cash Received from Charges for Services	\$0	\$0	\$0
Cash Received from Miscellaneous Sources	0	270,592	270,592
Cash Payments for Personal Services	(424,422)	0	(424,422)
Cash Payments for Claims	(6,413)	(224,407)	(230,820)
Cash Payments for Supplies & Materials	(207,425)	0	(207,425)
Cash Payments for Other Expenses	0	0	0
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(166,970)</b>	<b>46,185</b>	<b>(120,785)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from Other Funds	45,000	0	45,000
Cash Received from Operating Grants	163,192	0	163,192
Cash Received from Investment Earnings	0	0	0
Other	6,074	0	6,074
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>214,266</b>	<b>0</b>	<b>214,266</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(50,200)	0	(50,200)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(50,200)</b>	<b>0</b>	<b>(50,200)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(2,904)</b>	<b>46,185</b>	<b>43,281</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>20,308</b>	<b>264,378</b>	<b>284,686</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$17,404</b>	<b>\$310,563</b>	<b>\$327,967</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	(\$253,713)	\$70,010	(\$183,703)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	57,179	0	57,179
Donated Commodities Used	29,304	0	29,304
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivables	0	0	0
(Increase) Decrease in Accrued Interest	0	0	0
(Increase) Decrease in Materials & Supplies Inventory	(679)	0	(679)
Increase (Decrease) in Accounts Payable	4,691	(6,552)	(1,861)
Increase (Decrease) in Accrued Wages & Benefits	2,484	0	2,484
Increase (Decrease) in Compensated Absences Payable	(6,266)	0	(6,266)
Increase (Decrease) in Claims Payable	0	(17,273)	(17,273)
Increase (Decrease) in Deferred Revenue	30	0	30
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(166,970)</b>	<b>\$46,185</b>	<b>(120,785)</b>

See accompanying notes.

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

1. DESCRIPTION OF THE DISTRICT

The Wilmington City School District (District) was originally organized in 1853 known as School District No. 1 of Union Township. In 1853 State Laws were enacted to create 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 School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's six instructional and support facilities staffed by 119 non-certificated and 192 certificated teaching personnel and 17 administrative employees to provide service to 3253 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principals (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's significant accounting policies are described below.

A. The Reporting Entity

For financial reporting purposes, the District's financial statements include all funds and account groups, of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Wilmington City School District, this includes general operations, food service, preschool and student related activities of the school District. The District considered potential component units for inclusion in the financial report. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) would be financially accountable. The District would consider an organization to be a component unit if:

The District appointed a voting majority of the organization's governing body and

- (a) is able to impose its will on that organization or
- (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District or
- (c) the organization is fiscally dependent upon the District or
- (d) the nature of the relationship between the district and the organization is such that exclusion from the financial reporting entity would render the financial statements misleading.

The District did not include any component units in the financial statements.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)

The School District is associated with three jointly governed organizations. These organizations are discussed in Note 12 to the general purpose financial statements. These organizations are:

- The Hopewell Special Education Regional Resource Center
- Miami Valley Educational Computer Association (MVECA)
- Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust

B. Basis of Presentation - Fund Accounting

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

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.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Funds

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those most often found in the private sector. The following are the District's Proprietary Funds:

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

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

Fiduciary Funds

Fiduciary Funds are used for the assets held by the District in a trustee capacity or as an agency for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities).

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group

This group of accounts is established to account for fixed assets of the District, other than those accounted for in Proprietary Funds and Trust Funds.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trust Funds.

C. Measurement Focus/Basis of Accounting

Measurement Focus:

Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or "current financial resources," measurement focus. Governmental Fund Types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources. Proprietary Fund Types are accounted for on a cost of services, or "economic resources," measurement focus. Proprietary Fund Type income statements represent increases and decreases in net total assets.

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 School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include 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 (See Note 4). 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 fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to interest, tuition, state and federal grants, and property taxes available for advance at June 30, 2001. Delinquent property taxes, whose availability is indeterminable and property taxes which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

Measurement Focus: (Continued)

Proprietary Funds are accounted for on the accrual basis of accounting. Revenue is recognized in the period earned and expenses are recognized in the period incurred.

D. Budgetary Data

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District is required by State Statute to adopt an annual appropriated budget for all governmental fund types. The specific timetable is as follows:

- (1) Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July.
  - (a) The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
- (2) By no later than January 20, the board-adopted budget is filed with the Clinton County Budget Commission for tax rate determination.
- (3) Prior to April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Clinton County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated in the expenditures from any fund during the ensuing year will not exceed the amount stated Certificate of Estimated Resources.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data (Continued)

The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

- (4) By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the Clinton County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
- (5) Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
- (6) Budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.
- (7) Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board.
- (8) Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

E. Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types encumbrances outstanding at fiscal year end appear on the combined balance sheet as a reserve of the fund balance on a GAAP basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

Cash received by the District is deposited in various bank accounts with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments. State Statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to Agency Funds, certain trust funds, and those funds individually authorized by Board resolution.

For purposes of the statement of cash flows and for presentation on the combined balance sheet investments of the cash management pool which can be readily liquidated, and investments with an original maturity of three months or less at the time they are purchased by the School District, are considered to be cash equivalents.

During fiscal year 2001, investments were limited to a money market, mutual fund and repurchase agreements.

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 and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive and allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$300,381.

Restricted Assets

Senate Bill 345 eliminated the Budget Stabilization Reserve. The Board of Education decided to make additional contributions to the Reserve during fiscal year 2001 from unrestricted General Fund monies. The current year set-aside requirement for the Reserve is from a Bureau of Workers' Compensation refund received prior to April 10, 2001.

Estimates

The preparation of the 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 could differ from those estimates.

For purposes of the Statement of Cash Flows (GASB Statement No. 9) all highly liquid investments with maturity of three months or less when acquired are considered to be cash equivalents and are included under the heading "Equity in Pooled Cash and Investments." Investments are stated at fair value as determined by quoted market prices.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

Inventories of the Enterprise Funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count.

H. Fixed Assets and Depreciation

(1) General Fixed Assets

General fixed assets are capitalized at cost (or estimate historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

(2) Proprietary Funds

Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Building Improvements	20-40 years
Equipment	3-15 years

I. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's policies regarding compensated absences are determined by 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	15 to 20 Days depending on length of service	10-20 Days depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
<u>SICK LEAVE</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	1 1/4 Days per month of employment (15 days per year)	1 1/4 Days per month of employment (15 days per year)	1 1/4 Days per month of employment (15 days per year)
Maximum Accumulation	210 Days	210 Days	200 Days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective proprietary fund.

J. Interfund Transactions

During the course of normal operations the District has numerous transactions between funds. The most significant include:

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District had no interfund loans or advances at June 30, 2001.
4. Quasi-external transactions are accounted for as revenues and expenditures or expenses.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental Fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary Fund operations are accounted for in those funds.

L. Fund Equity

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, property taxes, and budgetary set-asides required under Ohio Law. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

N. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments and Cash." State Statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies that are 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, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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 designation of depositories.

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. State Legislation permits interim monies to be deposited or invested in the following securities:

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

3. EQUITY IN POOLED CASH AND INVESTMENT (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School 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.

At year end the carrying amount of the District's deposits was \$4,022,044. The bank balance of deposits was 4,066,406 and of the bank balance, \$200,000 was covered by federal depository insurance. The remaining bank balance was covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. CATEGORY 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its department or agent, but not in the District' name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>INVESTMENTS</u>	<u>Risk Category</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	3	\$291,378	\$291,378
Money Market Mutual Fund*		<u>630,000</u>	<u>630,000</u>
Total Investments		<u>\$921,378</u>	<u>\$921,378</u>

\*The District's Money Market investments are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**4. PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. In 2001 real property taxes were levied in January on the assessed values as of January 2000, the lien date. Assessed values are established by the Clinton County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in 1993. Tangible personal property tax is assessed on equipment and inventory held by businesses as of December 31, 2000. Tangible property is assessed at 25% of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value, which was reimbursed to the District by the State.

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

The Clinton County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal taxes in June and October. The District may request that the County Auditor periodically advance its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of the current year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for the portion not available to finance current year operations.

	Assessed Valuation for Taxes collected in 2001		Assessed Valuation For Taxes collected in 2000	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agriculture/Residential and Public Utility	\$305,735,910	73.5%	\$294,668,410	73.8%
Personal Property	25,196,140	6.1%	27,059,880	6.8%
	85,005,696	20.4%	<u>77,775,340</u>	<u>19.4%</u>
<b>Total Assessed Property Value</b>	<b><u>\$415,937,746</u></b>	<b><u>100.0%</u></b>	<b><u>\$399,503,630</u></b>	<b><u>100.0%</u></b>

**5. FIXED ASSETS**

A summary of changes in General Fixed Assets is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>
Land	\$232,834	392,093	\$0	\$624,927
Building and Building Improvements	18,672,983	10,400,000	(3,330)	29,069,653
Construction in Progress	9,583,690	0	(9,583,690)	0
Equipment	<u>5,769,574</u>	<u>418,981</u>	<u>(77,567)</u>	<u>6,110,988</u>
<b>Total</b>	<b><u>\$34,259,081</u></b>	<b><u>\$11,211,074</u></b>	<b><u>\$(9,664,587)</u></b>	<b><u>\$35,805,568</u></b>

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

5. FIXED ASSETS (Continued)

A summary of the Proprietary Fund fixed assets at year-end follows:

Equipment	\$348,977
Less Accumulated Depreciation	<u>255,464</u>
Net Fixed Assets	<u>\$93,513</u>

6. LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2001, were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Middle School East End Denver/Holmes Issued 1992 – 6.17%	\$10,250,000	0	825,000	\$9,425,000
Wilmington High School Addition Renovation-Issued 1998 4.98%	7,995,000	0	235,000	7,760,000
General Obligation Notes: Energy Conservation Notes Issued 1996 – 5.25%	470,000	0	85,000	385,000
Other Long-Term Obligation: Accrued Wages and Benefits	100,321	0	5,191	95,130
Compensated Absences	<u>858,204</u>	<u>0</u>	<u>85,935</u>	<u>772,269</u>
Total General Long-Term Obligations	<u>\$ 19,673,525</u>	<u>\$0</u>	<u>\$1,236,126</u>	<u>\$18,437,399</u>

All current obligation bonds and notes outstanding are general obligations of the District, that were issued to provide funds for the acquisition and construction of equipment and facilities, and for the repairs and renovating the school to be more energy efficient. The full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Interest payments are made in February, June and December of each year. Principal payments are made in August and December only. The source of payment is derived from debt tax issue proceeds.

The School Energy Conservation Notes were issued for House Bill 264.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

6. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the District's future annual debt service requirements to maturity:

Year Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2002	\$1,235,000	\$946,172	\$2,181,172
2003	1,350,000	878,252	2,228,252
2004	995,000	814,366	1,809,366
2005	1,005,000	757,882	1,762,882
2006	920,000	703,347	1,623,347
2007	930,000	650,750	1,580,750
Thereafter	<u>11,135,000</u>	<u>3,689,762</u>	<u>14,824,762</u>
	<u>\$17,570,000</u>	<u>\$8,440,531</u>	<u>\$26,010,531</u>

7. SEGMENT INFORMATION

Enterprise Funds

The District maintains two Enterprise Funds to account for the operations of Food Services and Uniform School Supply. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year-end.

	<u>Uniform School Supplies</u>	<u>Food Services Supply</u>	<u>Total</u>
Operating Revenue	\$0	\$471,290	\$471,290
Operating expenses before depreciation	289	667,535	667,824
Depreciation	0	26,074	26,074
Operating Income (Loss)	(289)	(222,319)	(222,608)
Operating Grants and other Non-operating revenue	0	183,572	183,572
Net Income (Loss) before Operating transfers	(289)	(38,747)	(39,036)
Operating transfers in	0	45,000	45,000
Net Income (Loss)	(289)	6,253	5,964
New Working Capital	0	(54,958)	(54,958)
Total Assets	0	150,565	150,565
Total Liabilities	0	80,905	80,905
Total Equity	0	69,660	69,660

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Wilmington City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the Wilmington City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent 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 District's contributions to SERS for the years ending June 30, 2001, 2000 and 1999 were \$333,180, \$324,360, and \$291,962, and respectively. \$163,020 represents the unpaid contribution for Fiscal year 2001, and is recorded as a liability within the respective Funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Wilmington City Schools contribute to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the Wilmington City School District is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contribution to STRS for the years ending June 30, 2001, 2000, and 1999 were \$1,350,192, \$1,260,444, and \$1,137,008 respectively, equal to the required contributions for each year. \$229,564 representing the unpaid contribution for Fiscal year 2001, is recorded as a liability within the respective Funds.



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**9. POSTEMPLOYMENT BENEFIT**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both Systems are funded on a pay-as-you go basis.

The State Teacher Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll to the Health Care Reserve Fund. The Retirement Board allocates employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2001 will be 4.5% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.149 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay pro-rated for partial service credit. For the fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**10. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary base as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

10. BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues and Other Financing Sources over (Under) Expenditures and other Financing Uses:

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>
GAAP Basis	\$73,736	\$129,254	(\$163,041)	(\$895,232)
Net Adjustment for Revenue Accruals	(71,499)	26,296	(49,701)	1,940
Net Adjustment for Expenditure Accruals	(81,353)	(26,297))	0	(103,486)
Encumbrances	<u>(196,005)</u>	<u>(136,890)</u>	<u>0</u>	<u>(98,507)</u>
Budgetary Basis	<u>(\$275,121)</u>	<u>(\$7,637)</u>	<u>(\$212,742)</u>	<u>(\$1,095,285)</u>

11. CONTINGENT LIABILITIES-Grants

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

12. JOINTLY GOVERNED ORGANIZATION

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage, which is provided by Anthem Blue Cross Blue Shield or United Healthcare. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In fiscal year 2000, Wilmington City School District contributed \$1,129,025, which represented 2.50 percent of total contributions to the Trust. 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.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

12. JOINTLY GOVERNED ORGANIZATION (Continued)

The Highland /Clinton/Fayette Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and a considerable number of Federal and State Grants.

The District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium A-site used by the District. MVECA is an association of 27 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine and property insurance from private carriers. General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 bodily injury and \$250,000 property damage per accident as well as uninsured motorist coverage. In addition, the District maintains property damage insurance on the buildings and contents in the amount of \$40,411,468.

Dental insurance is offered to employees through a self-insurance internal service fund. The claims liability reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of cost relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2000	\$14,790	\$160,988	\$147,615	\$28,163
2001	\$28,163	\$217,287	\$217,571	\$27,879

14. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

14. STATE SCHOOL FUNDING DECISION (Continued)

- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 12, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision, and the reconsideration, will have on its future State funding and on its financial operations.

15. FUND DEFICITS

The following fund had a deficit retained earnings balance as of June 30, 2001:

- Enterprise Food Service Fund (\$169,292)

The retained earnings deficit in the enterprise food service fund is the result of accumulated losses.

16. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance, Beginning of Year	(\$69,824)	\$0	\$125,000
Required Set-Aside	381,018	381,018	(67,018)
Offset Credits	0	0	0
Qualifying Expenditures	<u>(311,194)</u>	<u>(381,018)</u>	<u>0</u>
Balance End of Year	\$0	\$0	\$ 57,982

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

16. STATUTORY RESERVES (Continued)

Expenditures for textbook activity during the year totaled \$370,190, which exceeded the amount required for the set-aside.

Offsets for capital activity during the year totaled \$1,505,346, which exceeded the amount required for the set-aside.

17. CHANGES IN ACCOUNTING PRINCIPLES

For Fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." At June 30, 2001, there was no effect on fund balance as a result of implementing GASB 33.

18. PRIOR PERIOD ADJUSTMENT

The beginning fixed asset balance of the general fixed asset account group and the beginning retained earnings of the food service enterprise fund have been adjusted for corrections to the fixed asset detail as follows:

	<u>Enterprise Fund</u>	<u>General Fixed Assets Account Group</u>
Balance Previously stated June 30, 2000	\$ (224,536)	\$ 34,411,954
Prior Period Adjustment	<u>\$ 49,280</u>	<u>\$ (152,873)</u>
As restated July 1, 2000	<u>\$ (175,256)</u>	<u>\$ 34,259,081</u>

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$29,304	\$0	\$29,304
National School Lunch Program	LL-P1 00	10.555	16,234	----	16,234	----
	LL-P4 00		4,921	----	4,921	----
	LL-P1 01		103,349	----	103,349	----
	LL-P4-01		28,790	----	28,790	----
Total Child Nutrition Cluster			153,294	0	153,294	29,304
<b>Total U.S. Department of Agriculture</b>			<b>153,294</b>	<b>29,304</b>	<b>153,294</b>	<b>29,304</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 00	C1-S1-00	84.010	----	----	71,796	----
Title I - FY 00 Carryover	C1-S1-00 CO	84.010	----	----	18,394	----
Title I - CH 1, 1994	C1-S1-94	84.010	----	----	1,070	----
Title I - FY 01	C1-S1-00	84.010	321,948	----	281,209	----
<i>Total Title I</i>			321,948	0	372,469	0
Special Education Cluster:						
Special Education Grants to States						
Title VI B - FY 01	6B-SF-00	84.027	159,874	----	136,707	----
Title VI B - FY 99	6B-SF-99	84.027	----	----	32,410	----
Hopewell Grants	6B-SF-98	84.027	----	----	343	----
Title VI B - Inclusion Grant, Hopewell	6B-SF-97	84.027	----	----	1,354	----
Title VI B - Hopewell Grants	6B-SF-97	84.027	----	----	450	----
Title VI B - Co. Board Grant	6B-SF-96	84.027	----	----	9	----
<i>Total Title VIB</i>			159,874	0	171,273	0
Educational Handicapped Preschool						
Preschool Subsidy - FY 00 Flowthru	PG-S1-00	84.173	9,820	----	7,720	----
Preschool Subsidy - FY 00	PG-S1-00	84.173	----	----	2,147	----
<i>Total Title Preschool Subsidy</i>			9,820	0	9,867	0
<i>Total Special Education Cluster</i>			169,694	0	181,140	0
Drug Free Schools						
Drug Free Education - Subsidy - FY 01	DR-S1-01	84.186	13,123	----	1,615	----
Drug Free Education - Subsidy - FY 00	DR-S1-00	84.186	----	----	4,857	----
Drug Free Education - Subsidy - FY 99	DR-S1-99	84.186	----	----	4,258	----
Drug Free Education - Subsidy - FY 98	DR-S1-98	84.186	----	----	617	----
Drug Free Education - Subsidy - FY 97	DR-S1-97	84.186	----	----	307	----
Drug Free Education - Subsidy - FY 96	DR-S1-96	84.186	----	----	7	----
<i>Total Drug Free School Grants</i>			13,123	0	11,661	0
Goals 2000						
Goals 2000 FY 01	G2-S2-00	84.276	21,000	----	19,417	----
Goals 2000 FY 00	G2-S2-01	84.276	14,000	----	----	----
<i>Total Goals 2000 Grants</i>			35,000	----	19,417	----

(continued)

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

continued

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>Eisenhower Math &amp; Science</b>						
Math & Science Grant - FY 01	MS-S1-01	84.281	11,336	----	7,959	----
Math & Science Grant - Professional	MS-S4-00	84.281	6,000	----	2,531	----
Math & Science Grant - FY 00	MS-S1-00	84.281	----	----	5,787	----
Math & Science Grant - FY 99 CO	MS-S1-99	84.281	----	----	6,421	----
Math & Science Grant - FY 98	MS-S1-98	84.281	----	----	2,779	----
Math & Science Grant - FY 97	MS-S1-97	84.281	----	----	510	----
Math & Science Grant - FY 96	MS-S1-96	84.281	----	----	1,169	----
Math & Science Grant - FY 95	MS-S1-95	84.281	----	----	2,095	----
Math & Science Grant - FY 92	MS-S1-92	84.281	----	----	1,484	----
<i>Total Math &amp; Science Grants</i>			<u>17,336</u>	<u>0</u>	<u>30,735</u>	<u>0</u>
<b>Learn &amp; Serve America</b>						
Learn & Serve Training	SV-S4-99	94.004	----	----	335	----
<i>Total Learn &amp; Serve America</i>			<u>0</u>	<u>0</u>	<u>335</u>	<u>0</u>
<b>Innovative Educational Program Strategies</b>						
Educational Program Strategies	C2-S1-01	84.298	15,662	----	9,309	----
Educational Program Strategies	C2-S1-00	84.298	1,311	----	16,172	----
Educational Program Strategies	C2-S1-99	84.298	----	----	2,543	----
Educational Program Strategies	C2-S1-98	84.298	----	----	1	----
Educational Program Strategies	C2-S1-97	84.298	----	----	81	----
<i>Total Innovative Educational Program</i>			<u>16,973</u>	<u>0</u>	<u>28,106</u>	<u>0</u>
<b>Additional Programs:</b>						
Class Size Reduction Subsidy - FY 01	CR-S1-01	84.340	61,122	----	54,334	----
Class Size Reduction Subsidy - FY 00	CR-S1-00	84.340	----	----	8,568	----
<i>Total Additional Programs</i>			<u>61,122</u>	<u>0</u>	<u>62,902</u>	<u>0</u>
<b>Total Department of Education</b>			<b><u>635,196</u></b>	<b><u>0</u></b>	<b><u>706,765</u></b>	<b><u>0</u></b>
<b><u>U.S. DEPARTMENT OF HUMAN SERVICES</u></b>						
<i>Passed through Ohio Department of MRDD:</i>						
Medical Assistance Program/CAFS		93.778	30,827	0	30,827	0
<b>Total Department of Human Services</b>			<b><u>30,827</u></b>	<b><u>0</u></b>	<b><u>30,827</u></b>	<b><u>0</u></b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$819,317</u></b>	<b><u>\$29,304</u></b>	<b><u>\$890,886</u></b>	<b><u>\$29,304</u></b>

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



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B— FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C- COMMUNITY ALTERNATIVE FUNDING SYSTEM**

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
REQUIRED BY INTERNAL CONTROL GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the general purpose financial statements of Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 12, 2002 which was qualified due to insufficient documentation over lunchroom receipts recorded as charges for services in the Enterprise Fund Type. Except as noted in the preceding sentence, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 12, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10414-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated February 12, 2002.

This report is intended for the information of the Audit Committee, the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 12, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Wilmington City School District  
Clinton County  
341 South 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 are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on Wilmington City School District's compliance based on our audit.

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

As described in item 2001-10414-001, in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding activities allowed and unallowed that are applicable to its Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Wilmington City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

### **Internal Control Over Compliance**

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2001-10414-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above to be a material weakness.

This report is intended for the information and use of the Audit committee, the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 12, 2002

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, CFDA #84.010; Nutrition Cluster: Food Distribution Program, CFDA #10.550; National School Lunch Program, CFDA #10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

<b>Finding Number</b>	<b>2001-10414-001</b>
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See federal finding # 2001-10414-001 below; this finding is also required to be reported in accordance with GAGAS.

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

<b>Finding Number <sup>7</sup></b>	<b>2001-10414-001</b>
<b>CFDA Title and Number</b>	Nutrition Cluster: National School Lunch Program, CFDA #10.555; National School Breakfast Program, CFDA #10.553
<b>Federal Award Number / Year</b>	O4-PU / FYE: 6/30/2001
<b>Federal Agency</b>	US Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Material Weakness  
 Questioned Costs: \$119,868**

**Lunchroom - Internal Control**

For the Wilmington Middle School, the District did not maintain, and accordingly, could not provide for audit, documentation supporting the amount of lunchroom receipts deposited with the Treasurer, or the quantity and amounts of certain items sold as reported on National School Lunch Program Report CN7 for the period of July 2000 through March 2001. Nor was evidence provided which indicated the District recorded the quantity of certain lunchroom items sold and reconciled those counts to the cash receipts deposited with the Treasurer. That is, there was no indication that the food service supervisor, or other individual, reconciled potential lunchroom receipts to the actual receipts that were collected and deposited.

All meals the School Food Authority (the District) reports to the State agency for reimbursement must (1) be supported by accurate meal counts and records, and (2) be served to eligible children/adults. Requirements for meal/milk count claiming are set forth under 7 CFR 210.7, 7 CFR 220.11 (Lunch/Breakfast), 7 CFR 215.10 (Milk), 7 CFR 225.9 (Summer Food Service), 7 CFR 226 Subpart D 226.11 and 226.13 (Child and Adult Care Food Program)." The District is reimbursed by the Ohio Department of Education based in part on the number of milk units sold to children, and the number of free, reduced, and full price meals sold to children. The District did not provide documentation to support the number of milk units sold to children, the number of full priced lunches served to children, or the receipts collected for each type of sale, as reported on Report CN7. This condition could adversely effect the District's ability to demonstrate compliance with program requirements. Of the \$153,294 received by the District for the National School Lunch Program, \$119,868 of this amount reimbursed under the National School Lunch Program from July 2000 through March 2001 are considered questioned costs since they were costs reimbursed to the District for the period for which the District did not maintain sufficient supporting documentation.



**Noncompliance/Material Weakness**  
**Questioned Costs: \$119,868 (Continued)**

To strengthen accountability, we recommend the use of cash registers in the Wilmington Middle School for lunchroom sales. All daily lunchroom activity should be reconciled to the potential sales (quantity of each item type sold extended by the approved sales price for each item), prepays, a la carte items, charges and to daily deposits. These reconciliations should be reviewed and initialed by the reviewer. Any overages or shortages should be noted and supported by an explanation. These practices should lead to greater accountability and control over lunchroom sales and cash receipts.

We noted that cash registers were placed in operation in the Wilmington Middle School during March, 2001.

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2000-10414-001	Documentation was not maintained to account for Charges for Services in the Enterprise Fund.	No	Partially corrected during subsequent fiscal year. Reissued as finding 2001-10414-001 .





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**WILMINGTON CITY SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2002**